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Lao PDR Market Access Guide: Trading with ASEAN Dialogue Partners - Australia and New

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**Lao PDR Market Access Guide:
Trading with ASEAN Dialogue Partners**

**AUSTRALIA
and
NEW ZEALAND**

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**Presented to
ASEAN Economic Cooperation Division
Foreign Trade Policy Department
Ministry of Industry and Commerce**

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Summary

Laos benefits from the *ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)*. The Agreement has eliminated tariffs on 90% of Australia's and New Zealand's imports, with the remaining tariff lines to be removed by 2020. For Laos, it provides for a much longer transition period for eliminating tariffs in recognition of the country's status as a newer ASEAN member having at least developed country status.

The Agreement also eliminates non-tariff barriers like licensing requirements; offers procedures on standards and sanitary and phytosanitary (SPS) measures; facilitates communications and shipping services; and guarantees equal treatment to foreign investments. These preferential arrangements offer Laos significant opportunities for accessing the Australian and New Zealand markets in a wide range of products.

How Lao Producers and Exporters Benefit from AANZFTA

- Although tariff rates are, on average, relatively low for non-AANZFTA countries, they still raise costs. Lao producers and exporters therefore have a competitive cost advantage because Australian and New Zealand importers can buy Lao products without having to pay customs duties on those imports.
- Australia and New Zealand have conducive environments for doing business. Both rank within the top 10 best countries in general, and they both have above-average rankings for ease of trading across borders. In addition, Australia's and New Zealand's logistics environments are highly favorable to trading.
- Both countries rely heavily on trade with ASEAN countries. The ASEAN region is the largest trading partner of Australia and the fourth largest one for New Zealand.

What are the Fast-Growing Product Markets for Lao Businesses

There are a number of dynamic product markets in Australia and New Zealand of interest to Lao producers and exporters. Apart from traditional clothing and garments, the following product categories have fast-growing imports in these two countries:



These products are the ones in which Australia and New Zealand have high import growth rates. In some cases, Laos also has high export growth rates of the same products; but in some cases it has 'missed opportunities' to benefit from the high growth markets by growing their exports slowly. Overall, Lao exports are highly compatible with the types of products imported by both Australia and New Zealand.

How the AANZFTA Works

The Agreement removed all tariffs on 90% of imports in the ‘normal track’ (2010 for Australia and 2012 for New Zealand). The remaining 10% of tariff lines are in the ‘sensitive track’ and will have their tariffs eliminated more gradually between 2013 and 2020.

This guide shows how to determine (a) whether there are benefits to using the AANZFTA, and (b) whether a particular product being exported from Laos is eligible for a preferential rate. It is important to check these two conditions in order to avoid spending time and money in applying for the preferential rate if a product is already subject to a low customs duty outside AANZFTA.

Understanding Rules of Origin

The Rules of Origin (ROO) are an essential feature of the AANZFTA. They determine what goods qualify for preferential tariff treatment, that is, what goods count as “Lao” products. There are three ways to qualify:

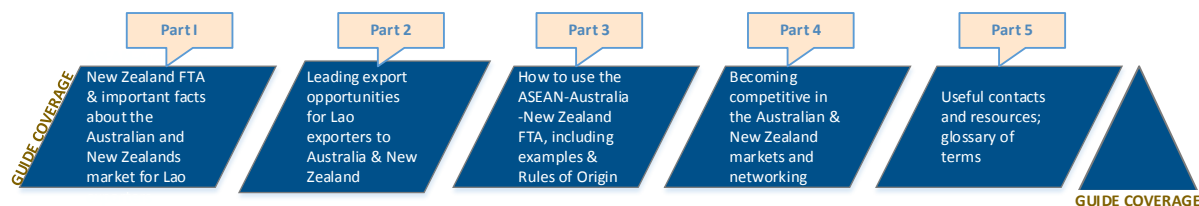
- A good can be wholly originating from Laos, for example, goods obtained from farming;
- A good can be produced in Laos exclusively from originating materials from one or more of the AANZFTA countries; and
- A good can have at least 40% of content originating from Laos or after a change in its tariff classification from materials originating in non-AANZFTA countries.

A unique feature of the AANZFTA is that it allows originating goods from Laos to be ‘cumulated’ between the ASEAN countries when used in the production of further goods. That means that Lao inputs can gain preferential treatment when exporting to another ASEAN country before that good is exported to Australia or New Zealand.

Ways to Compete in Australian and New Zealand Markets

- ✓ *Become informed:* The ASEAN, Australian and New Zealand leaders are committed to supporting SMEs as major beneficiaries of the trade expansion, and they strongly support the facilitation of trade through a various resource centers described in this guide.
- ✓ *Develop networks:* This guide emphasizes the importance of cultivating business relationships that help you to establish networks of mutually beneficial cost-sharing activities with other producers/exporters and with Australian/New Zealand companies.
- ✓ *SME Value Chains:* This guide offers advice on how small and medium size enterprises (SMEs) can effectively compete through value chains, as well as meet international standards like those of Export Quality Infrastructure (EQI) required by Australia and New Zealand.

How This Guide is Organized



PART 1: Understanding Lao's Exports to Australia & New Zealand

3.1. Facts about Australia's and New Zealand's Importance as Export Markets

3.1.1. Lao's Trade Relations with Australia and New Zealand

Opportunities – Australia and New Zealand have yet to become major markets for Lao exports. Australia ranks 22nd while New Zealand remains a minor destination, mostly for clothing and apparel.¹ Nevertheless, the Lao PDR's trade with Australia and New Zealand is developing and there are increasing opportunities for Lao non-traditional exports. As a member of ASEAN, the Lao PDR benefits from the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA). The Agreement came into force for Laos on 1 January 2011 and offers wide-ranging benefits:²

- For **tariffs on goods** (chapter 2 of AANZFTA), the Agreement eliminates tariffs on 90% of Australia's imports in 2010 and of New Zealand's imports in 2013, with the remaining tariffs being eliminated by 2020 for both countries. For Laos, it provides for longer transition periods and lower tariff elimination outcomes in recognition of the country's status as a newer ASEAN member and a less developed economy. The final elimination of tariffs by Laos in 2023 covers 88% of its tariff lines.³
- For **non-tariff measures**, a procedure allows any government to request that particular non-tariff measures be reviewed by the AANZFTA Trade in Goods Committee with a view to reducing or eliminating the measure's negative impact on trade. For Lao businesses, this provision is potentially significant. Producers and exporters who become aware about nontariff measures that impact their business can bring those measures to the attention of the Government, which can then raise the matter in the Trade in Goods Committee (see Contact Information in Part 5 of this Guide).
- For **standards** and **sanitary and phytosanitary (SPS) measures** (chapters 6 and 7 of AANZFTA), procedures are created to ensure that public policy objectives such as health and safety are aligned between the AANZFTA trading countries. These procedures build on the WTO's Agreement on Technical Barriers to Trade (TBT) and the WTO Sanitary and Phytosanitary (SPS) Agreement.
- For **trade in services** (chapter 8 of AANZFTA), it facilitates communications and shipping between Laos and both Australia and New Zealand. It builds on existing commitments under the WTO's General Agreement on Trade in Services and improves transparency in areas such as business services, education, tourism, construction and transport. It also facilitates the movement of business people engaged in trade and investment by requiring streamlined and transparent procedures for immigration applications and processes for business people.
- For **investment** (chapter 11 of AANZFTA), it protects Lao and other ASEAN investors from discriminatory measures and guarantees equal treatment as those received by national investors. The principal investment obligations in the Agreement include a range of protection provision for recourse to binding arbitration procedures.

3.1.2. Lao's Preferential Access to Australia's and New Zealand's Markets

Opening New Opportunities – The AANZFTA provides Lao businesses with improved access to the Australian and New Zealand markets. In comparison to most other ASEAN Dialogue Partners, both of these countries were already fairly open to trade prior to the Agreement. In Australia, nearly 50% of all most-favored-nation (MFN) tariffs applied to ASEAN were duty-free prior to the Agreement and, in New Zealand, nearly 60% of MFN tariffs had duty-free rates. Furthermore, nearly 40% of Australian tariffs and 7% of New Zealand tariff rates were less than five percent ad valorem. Nevertheless, a number of products that are important to Lao exporters were protected by either or both countries before the Agreement.

For Laos, the most important sectors whose tariffs are reduced or eliminated by the AANZFTA are as follows:

- Fruit & Vegetable Juices, Processed & Preserved Fruit & Vegetables (HS 20)
- Minerals & Fuel (HS 25-27)
- Machinery (HS 84)
- Plastics & Articles of Plastics (HS 39)
- Rubber (HS 40)
- Textile & Textile Articles (HS 50, 5108-5113, 5207-5212, 53-60,)
- Clothing & Footwear (HS 61, 62, 64)
- Vehicles for Passenger (HS 8703)
- Furniture (HS 94)

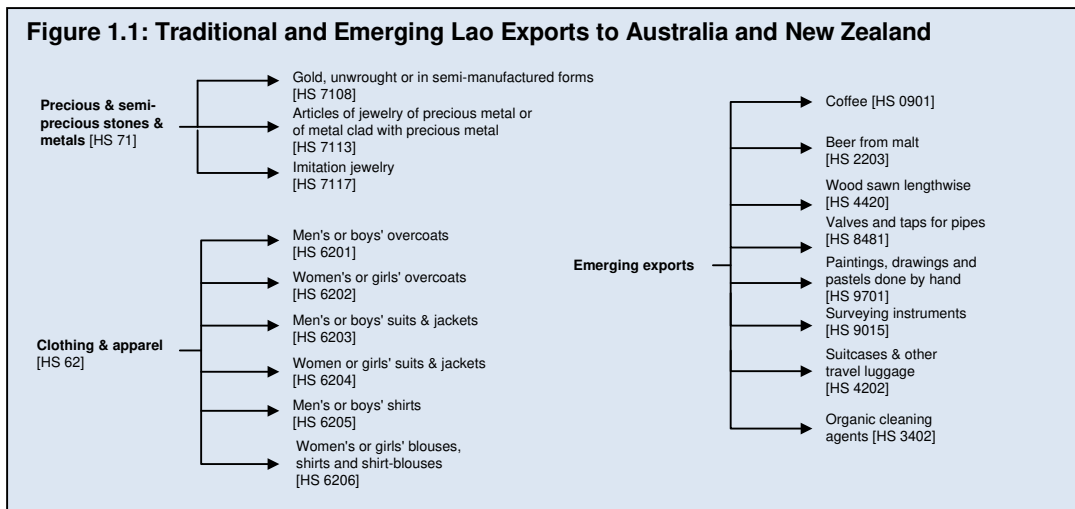
Gradual Elimination of Tariffs – The AANZFTA has separate coverage for goods under the Normal and Sensitive Tracks:

- *Normal Track* duties are eliminated by 2013.
- *Sensitive Track I* duties will be eliminated by 2020 and, for those of interest to Lao exporters, include prepared foodstuffs, plastics, machinery, and ceramic products.
- *Sensitive Track II* duties will be reduced and capped at certain rates by 2020 and, for those of interest to Lao exporters, include vegetable products, glass products, tobacco products, and other agricultural products.

3.2. Lao's Exports to Australia and New Zealand

2.2.1. Traditional and Emerging Exports

Largest Exports to Australia and New Zealand – Lao's exports to Australia and New Zealand are concentrated in traditional clothing and apparel products, but there are a number of emerging products with a large potential for Lao exporters. The largest exports are precious and semi-precious stones and metals, apparel and clothing, coffee and tea. Together these products represent 75% of the Lao PDR's total value of exports to Australia and New Zealand. Precious and semi-precious stones and metals reflect a variety of products such as gold, whether unwrought or in semi-manufactured forms; articles of jewelry of precious metal; and imitation jewelry. Clothing and apparel exports are primarily of the following types: Men's and women's overcoats, car-coats, capes, cloaks, anoraks, wind-cheaters, wind-jackets and similar articles; men's and women's suits, ensembles, jackets, blazers, trousers, bib and brace overalls, shorts; men's or boys' shirts; and women's or girls' blouses, shirts and shirt-blouses.



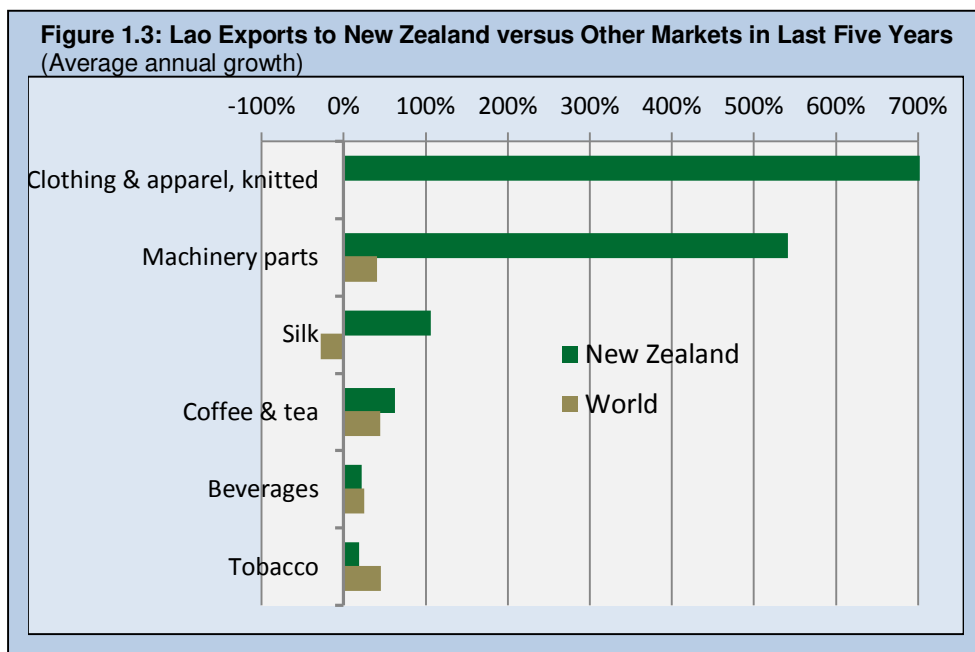
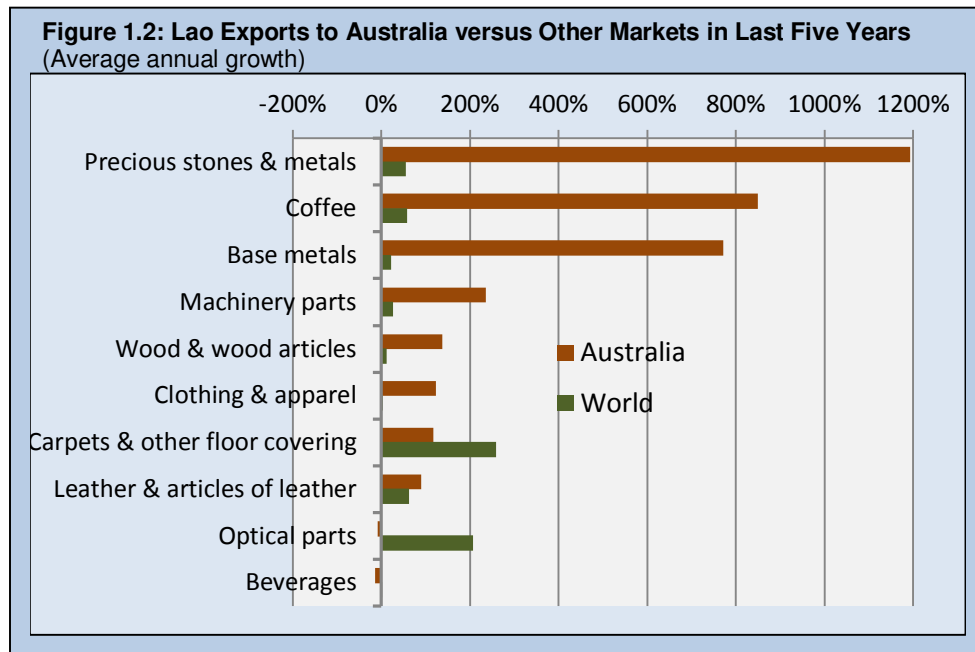
Fastest Growing Exports – Most of the Lao PDR's largest exports to Australia and New Zealand have grown rapidly, especially coffee and clothing. There is a fairly wide range of rapidly emerging products that include art works like paintings, drawings and other media done by hand; mechanical instruments that include valves and taps for pipes and surveying instruments; and suitcases and other types of travel luggage. Organic cleaning agents have also become important Lao exports for the New Zealand market.

2.2.2. How Exports to Australia and New Zealand Differ from Other Markets

Lao products with dynamic export growth to the Australian and New Zealand markets have important differences from those exported to other markets. Lao's exports to Australia of precious and semi-precious stones and metals, coffee, base metals, mechanical instruments and wood articles have all grown much faster than exports to other destinations. In contrast, exports to Australia and New Zealand of carpets and other floor covering and optical parts have underperformed compared with exports to other destinations (Figure 1.2). For New Zealand, Lao's exports of clothing and apparel, machinery parts, and silk have all grown much faster than exports to other destinations. In contrast, exports to New Zealand of coffee and tobacco have underperformed compared with exports to other destinations (Figure 1.3).

The reason for these differences is that Australia's and New Zealand's demand for imports in general and that for specific products exported by Laos differ from demand patterns in other markets. For that reason, it is important to understand the Australian and New Zealand markets and how it differs from other markets. Among the major factors determining those differences are the following:

- ✓ The drivers of trade for Australia and New Zealand and their demand for Lao products.
- ✓ Lao's export compatibility with Koran imports, that is, whether Laos is exporting the types of goods that are most in demand by Australia and New Zealand.
- ✓ Whether Laos is focusing its exports on the types of products that have dynamic markets in Australia and New Zealand.



2.2.3. Key Drivers for Lao Exports

There are two sets of factors that are important for Lao exporters to consider in the Australian and New Zealand markets:

(a) Factors Related to the Australian and New Zealand Markets

In considering the Australian and New Zealand markets as a possible market destination, the Lao exporter should examine *growth prospects* and *market access requirements*.

- (1) Growth prospects for the Australian and New Zealand markets are mainly driven by sectoral growth patterns in that country and by the import demand responsiveness to economic activity in Australia and New Zealand.

➤ *For more information, see Chapter 2 below.*

- (2) Market access requirements under the AANZFTA provide important advantages to the Lao PDR over other non-ASEAN foreign suppliers, and the advantages will improve as tariffs are increasingly eliminated for Laos through 2020.

➤ *For more information, see Chapter 3.*

(b) Factors Related to Lao's Competitiveness and Internal Factors

- The ability of Lao producers to effectively compete for market shares of Australia and New Zealand is determined by the following:

- (1) The compatibility of Lao exports with Australian and New Zealand imports.

➤ *For more information, see Section 2.1.*

- (2) The strength of institutional support mechanisms to help producers compete in the market.

➤ *For more information, see Section 4.1.*

- (3) The export quality infrastructure (EQI) opportunities for adding value to exports, that is, for moving Laos from a concentration on unprocessed primary commodity exports, to agro-industrial and manufacturing activities in increasingly sophisticated product exports.

➤ *For more information, see Section 4.2.*

- (4) The ability of Lao businesses to accommodate Asian business styles into their networking operations. The approach emphasizes the cultivation of business relationships in the context of Asian interests in building professional trust and mutually beneficial cost-sharing activities leading to common goals. In contrast, the Western approach to doing business is largely based on competitive tendering and cost-minimizing negotiation strategies. For Lao businesses, it is therefore important to build networks that created buyers' trust and interest in establishing mutually-beneficial, long-term contractual arrangements with Australian and New Zealand companies.

➤ *For contact information and links to resources, see Section 5.1.*

PART 2: Opportunities in Australia's & New Zealand Markets

2.1. Export Compatibility with Australia's and New Zealand's Imports

Lao exports have an above-average degree of trade compatibility with Australia's large and medium-size exports and with New Zealand's medium-size and emerging exports.⁴ For all types of exports, the index of compatibility is between that of overall trade between industrialized countries, which averages 0.55, and that of overall trade between developing countries, which averages 0.20.

Figure 2.1: Trade Compatibility Index between Lao PDR Exports and Australian-New Zealand Imports

AUSTRALIA	Index of Trade Compatibility	Examples of Lao exports to Australia in category
Large-size Exports	0.43	Coffee; men's t-shirts, jerseys, pullovers, cardigans, shirts, briefs
Medium-size Exports	0.47	Gold, unwrought or in semi-manufactured forms; articles of jewelry
Small-size Exports	0.28	Beer; valves and other plumbing attachments
Emerging Exports	0.34	Paintings done by hand; surveying instruments

NEW ZEALAND	Index of Trade Compatibility	Examples of Lao exports to New Zealand in category
Large-size Exports	0.30	Men's t-shirts, men's suits and shirts; jerseys, pullovers, coffee
Medium-size Exports	0.37	Bananas, fresh or dried; cabbage and cauliflowers; ground-nuts
Small-size Exports	0.28	Trunks and suitcases; natural medicines; dress patterns; dried fruits
Emerging Exports	0.37	Paintings done by hand; light fixtures; animal feed preparations

Note: Calculated for products at the 4-digit Harmonized System (HS) level. Large-size exports: greater than US\$10 million; medium-size exports: between US\$1 and US\$ 10 million; small-size exports: between US\$ 0.5million and US\$ 1 million; and emerging exports: under US\$500,000. Benchmark trade compatibility indexes are generally 0.55 for industrialized countries and 0.2 for developing countries.

Advantages for Lao Exporters

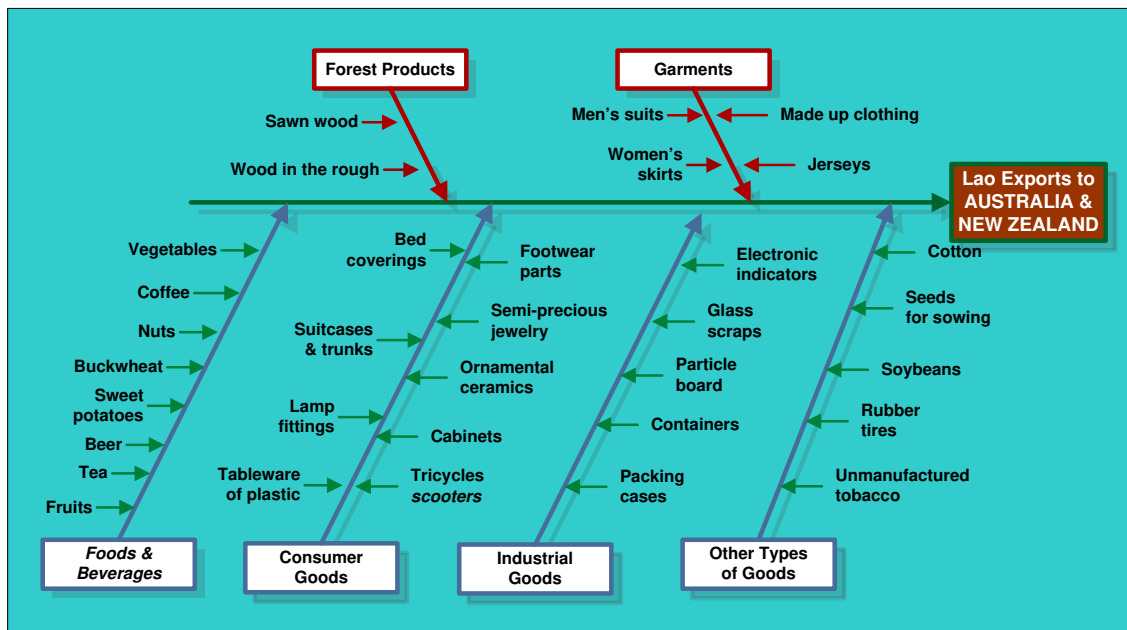
With a relatively high degree of trade compatibility, Lao exporters can take advantage of Australia's and New Zealand's fast growing imports in a wide range of industries. Additionally, the AANZFTA gives Laos a competitive advantage over non-ASEAN countries in supplying products to that country.

Some Key Products

- For Australia, there is a particularly high degree of compatibility with coffee, clothing and apparel, precious and semi-precious stones and metals, and suitcases and other travel items, beer, valves used for plumbing attachments, and hand-made paintings.
- For New Zealand, there are important opportunities for Lao exports of fresh and dried fruits and vegetables, trunks and suitcases, natural medicines, light fixtures, animal feed preparations and hand-made paintings.

Recognizing these opportunities should stimulate the Laos private sector to take advantage of the AANZFTA in order to expand exports to the fast-growing Australian and New Zealand markets.

Figure 2.2: Lao PDR High Actual and Potential Exports to Australia and New Zealand



2.2. Winners in the Australian and New Zealand Markets

Another way to measure export opportunities to the Australian and New Zealand markets is to examine whether Laos' exports have been directed at dynamic product markets and, if so, whether exporters have been expanding their activities in those markets. The potential growth of firms and industries in the world market and the Australian and New Zealand markets in particular are reflected in high rates of export growth and rising market shares. This type of analysis is suggestive of the actual or potential penetration into dynamic markets for Lao exporters.⁵

Measuring Penetration in Different Types of Markets

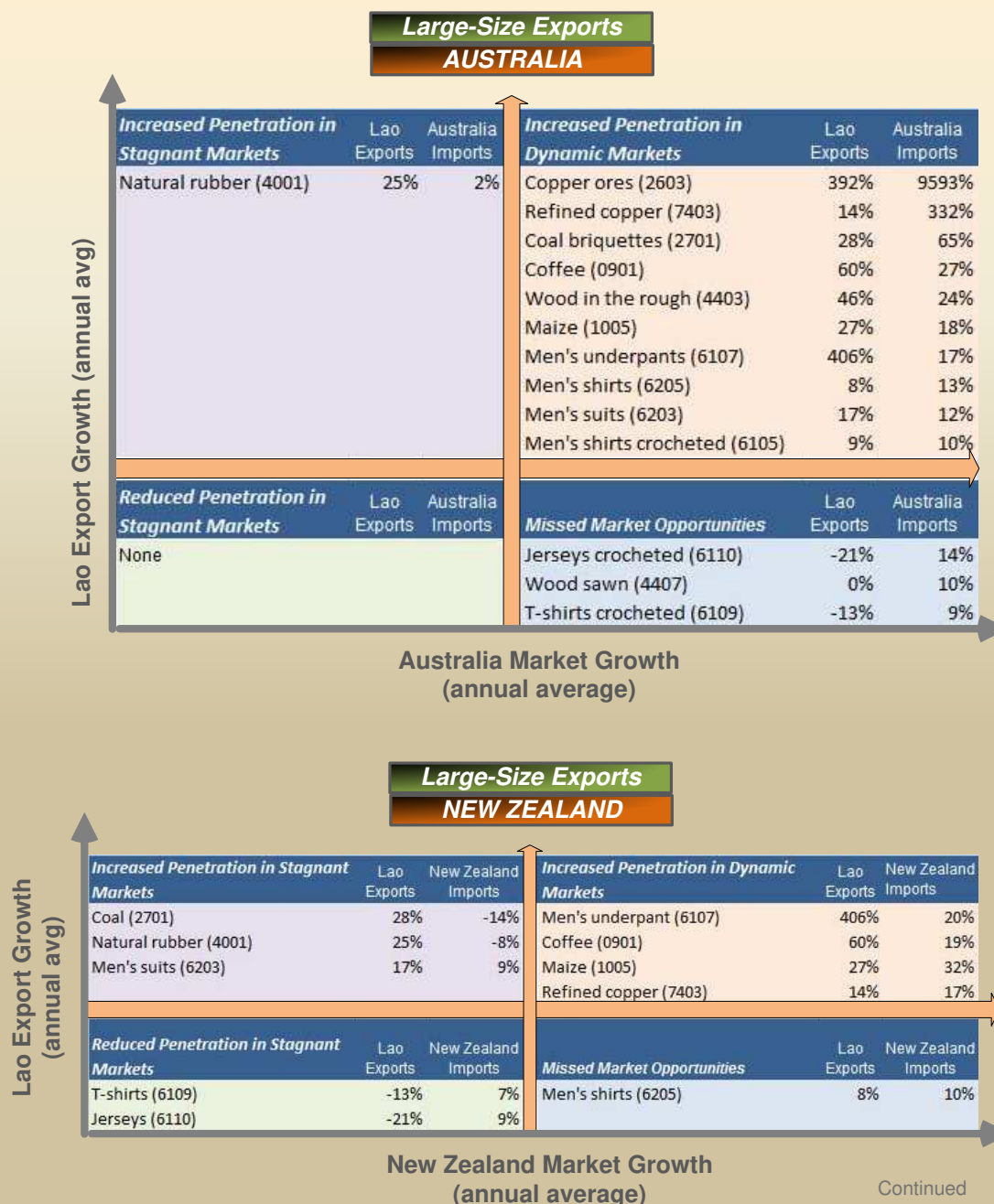
Laos' export growth in different types of product markets in the Australian and New Zealand markets has been measured by the trend growth rate of product exports in the four product categories (large, medium, smaller and emerging exports), and the ratio of product exports relative to Australian and New Zealand imports of those products. The export performance of Laos has been classified into the following four categories:

- ✓ *Exploited Market Opportunities:* Products in which the Lao PDR has a rising market share and Australian and New Zealand imports are expanding.
- ✓ *Increased Penetration in Stagnating Markets:* Products in which the Lao PDR has a rising market share but Australian and New Zealand imports are contracting.
- ✓ *Missed Markets Opportunities:* Products in which the Lao PDR has a falling market share despite expanding Australian and New Zealand imports.
- ✓ *Reduced Penetration in Stagnating Markets:* Products in which the Lao PDR's market share is falling and Australian and New Zealand markets are contracting.

The most desirable situation is for Lao exporters to be involved in either *exploited market opportunities*, where their products have made headways into dynamic markets, or *missed*

market opportunities, where there is strong export growth potential if Lao exporters improve their competitiveness and increase their market penetration.

Figure 2.3: Matching High-Growth Lao Exports with Dynamic Australian & New Zealand Imports, 2007-2011



Lao Large-Size Exports

Australian Market – Among large-size exports, copper ores and refined copper, some types of men's clothing and apparel, coffee, maize, and wood in the rough have fast-growing Australian markets where Lao exports have also expanded rapidly. In contrast, Lao exports have been sluggish in the fast-growing markets for certain types of men's clothing, namely, t-shirts and jerseys and wood in the rough. Exports have, however, expanded rapidly in the slow-growing Australian markets for natural rubber.

New Zealand Market – Among large-size exports, coffee, maize, refined copper and some types of men's clothing and apparel have fast-growing markets in New Zealand; Lao exports have also expanded rapidly in these products. In contrast, Lao exports have been sluggish in the fast-growing markets for certain types of men's clothing, namely, men's shirts. Exports have, however, expanded rapidly in several slow-growing or stagnant New Zealand markets like natural rubber and men's suits.

Lao Medium-Size Exports

Australian Market – Among medium-size exports, there have been numerous products where both Australian imports and Lao exports have grown rapidly. They include rice, buckwheat, ground-nuts, sweet potatoes, articles of jewelry, plants used in perfumery, mattress supports, fruits and nuts, and various types of clothing and apparel. Other fast-growing Australian market where Lao exporters would do well to increase their market shares are laminated wood, storage water heaters and certain types of clothing. Some markets, such as that for footwear and unmanufactured tobacco in which Lao exports have been fast growing, have contracted in Australia.

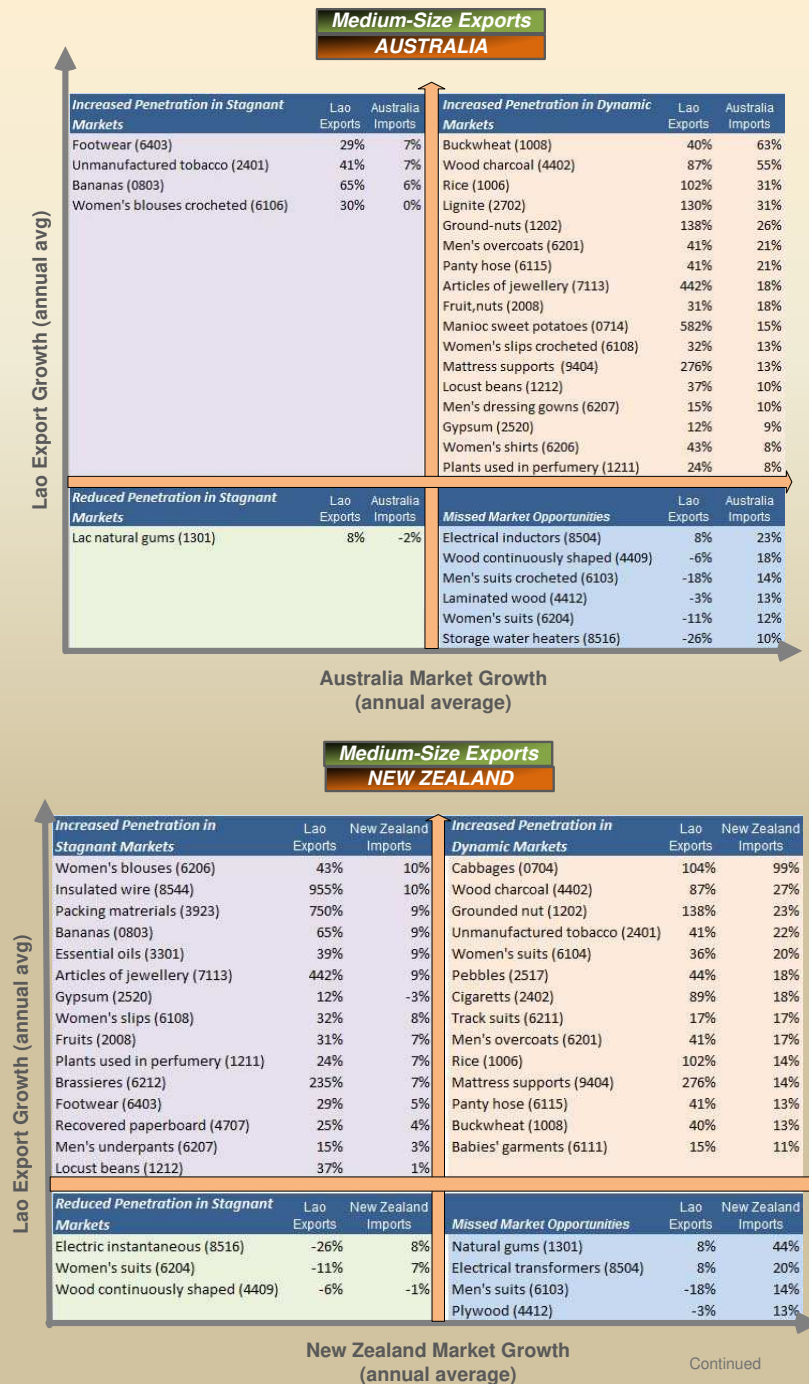
New Zealand Market – Several products are notable for their rapid growth of both New Zealand imports and Lao exports. They include grounded nut, unmanufactured tobacco, track suits, rice, mattress supports, buckwheat, and various types of clothing and apparel. Other fast-growing New Zealand markets where Lao exporters would do well to increase their market shares are natural gums, electrical transformers, plywood, and certain types of clothing, namely, men's suits. Some markets, such as that for insulated wire, packing materials, essential oils, articles of jewelry, and fruits in which Lao exports have been fast growing, have contracted in New Zealand.

Lao Small-Size Exports

Australian Market – Among Lao's relatively smaller-size exports, there are many types of products with rapidly growing Australian markets where Lao has greatly expanded its exports. They range from fresh and dried fruits to beer, copper scrap, and various types of garments. Some of the rapidly growing markets where Lao exporters have lost market shares because of sluggish exports are women's overcoats, builders' joinery, and preserved vegetables. In contrast, exports have grown rapidly in markets with relatively slow or stagnant Australian imports, notably those of footwear parts and sheets for veneering.

New Zealand Market – There are many types of products where Laos has expanded exports at the same time that New Zealand has greatly expanded its imports. They range from copper waste and scrap to men's and women's overcoats, beer made from malt, vegetable saps, and suitcases and luggage. In contrast, Lao exports have grown rapidly in markets with relatively slow or stagnant New Zealand markets, notably vegetables and dried fruits, track suits, sheets for veneering and parts of footwear.

Figure 2.4: Matching High-Growth Lao Exports with Dynamic Australian & New Zealand Imports, 2007-2011



Lao Emerging Exports

Australian Market – There has been strong Australian import growth for products like wood marquetry, bed linen, cereal grains, babies' accessories, soybeans, used or new rags, dried vegetables, antiques, seeds used for sowing, brooms, hats and other headgear, tools for handwork, packing cases, and cartons packing containers. Lao exporters would also do well to increase their penetration into the markets for shawls, cut flowers, fruit juices, jams, footwear, spices, made up clothing, and particle board. In some others like fabrics of synthetic fibers, fittings for leaf binders, woven fabrics of cotton, narrow woven fabrics, carpets and floor coverings, worn clothing, pile fabrics, embroidery, imitation jewelry, woven pile fabrics, granite, ties and glassware, the Australian markets have either been stagnant or contracted.

New Zealand Market – There are many products in which there have been both fast-growing Lao exports and rapidly expanding New Zealand imports. They include products like cereal grains, nutmeg, aluminum waste, boards and cabinets, wood packing cases, soybeans, pneumatic tires made of rubber, extracts of coffee and tea, seed for sowing, table or parlor games, and paper packing containers. In those markets without a clear sector-wide growth pattern, there exist strong markets for shawls, particle board, jams, spices, outer soles for rubber footwear and fruit juices. In various others like hats and bags, inner tubes made of rubber, dried beans, pineapples, valves for pipes, hand tools, brooms, and bed linen, the New Zealand markets have either been stagnant.

2.3.Import Demand Prospects for Lao PDR's Top 10 Exports

2.3.1. Determinants of Foreign Market Demand

Australia's and New Zealand's import demand for Lao exports can be described as a two-stage process:

Stage 1: Australian and New Zealand importers decide how much of a product they want to buy

Major domestic import demand determinants: overall import demand for products is driven by domestic income and economic activity (non-price factors) and prices of foreign goods relative to domestically sourced products.

Stage 2: Australian and New Zealand importers decide from whom they want to buy the product

Major foreign export demand determinants: All other things being equal, Laos's exports would have a proportional response to Australia and New Zealand imports, that is, they would tend to grow by the same proportion as imports. However, the Lao PDR's price competitiveness depends on two factors: first, the price at which producers and exporters are able to sell their products relative to other suppliers; and, second, the real exchange rate of Laos relative to that of Australia and New Zealand, that is, the nominal exchange rate between the Lao kip and the Australian and New Zealand dollars, adjusted for the general price index of the two countries. Networking and business relationships also affect the extent to which Lao exporters are able to expand their activities in the Australian and New Zealand markets. These relationships are particularly important for doing business in Asia, unlike Western business practices that are largely based on cost-based competitive procurement practices.

Figure 2.5: Matching High-Growth Lao Exports with Dynamic Australian & New Zealand Imports, 2007-2011

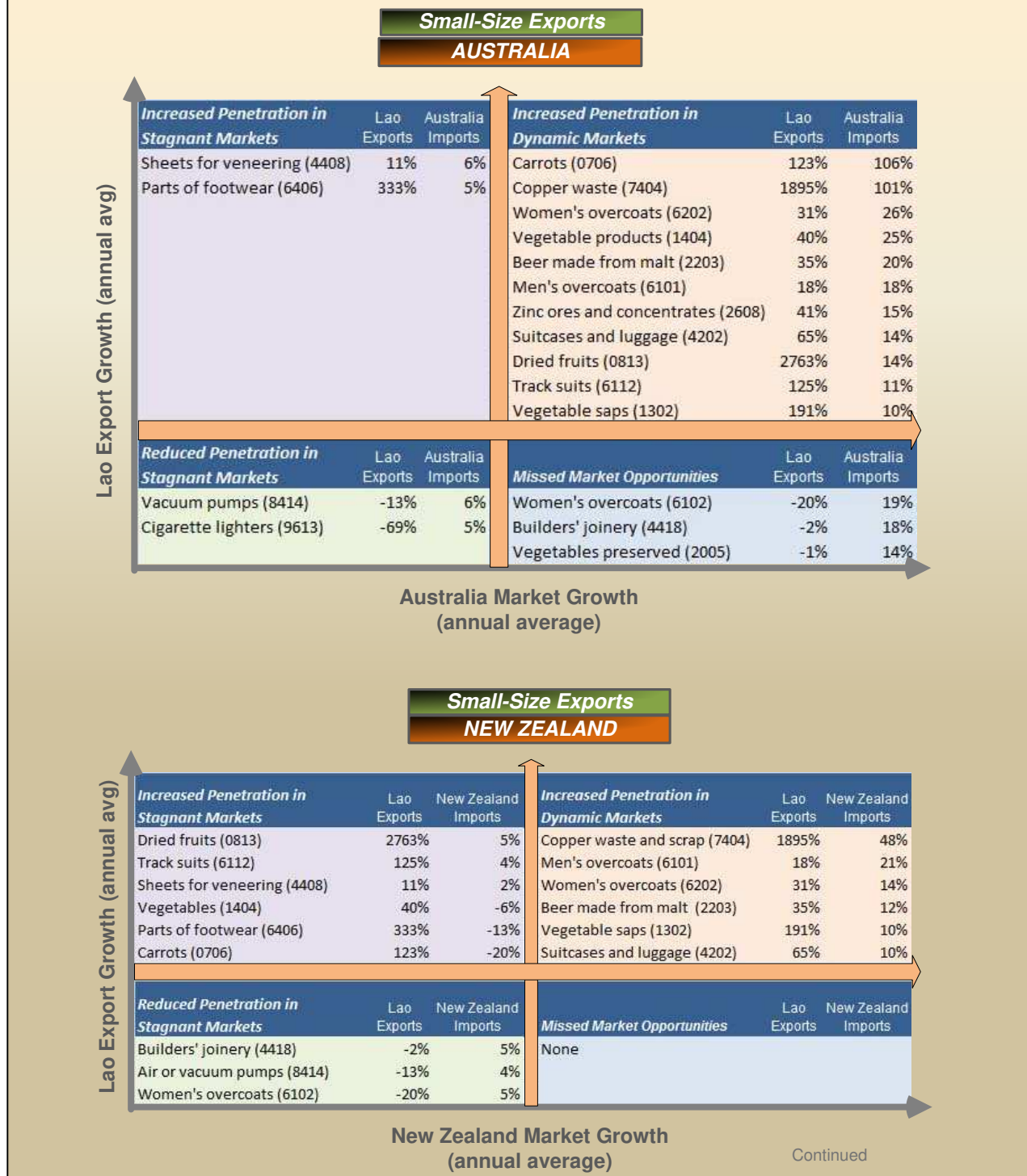
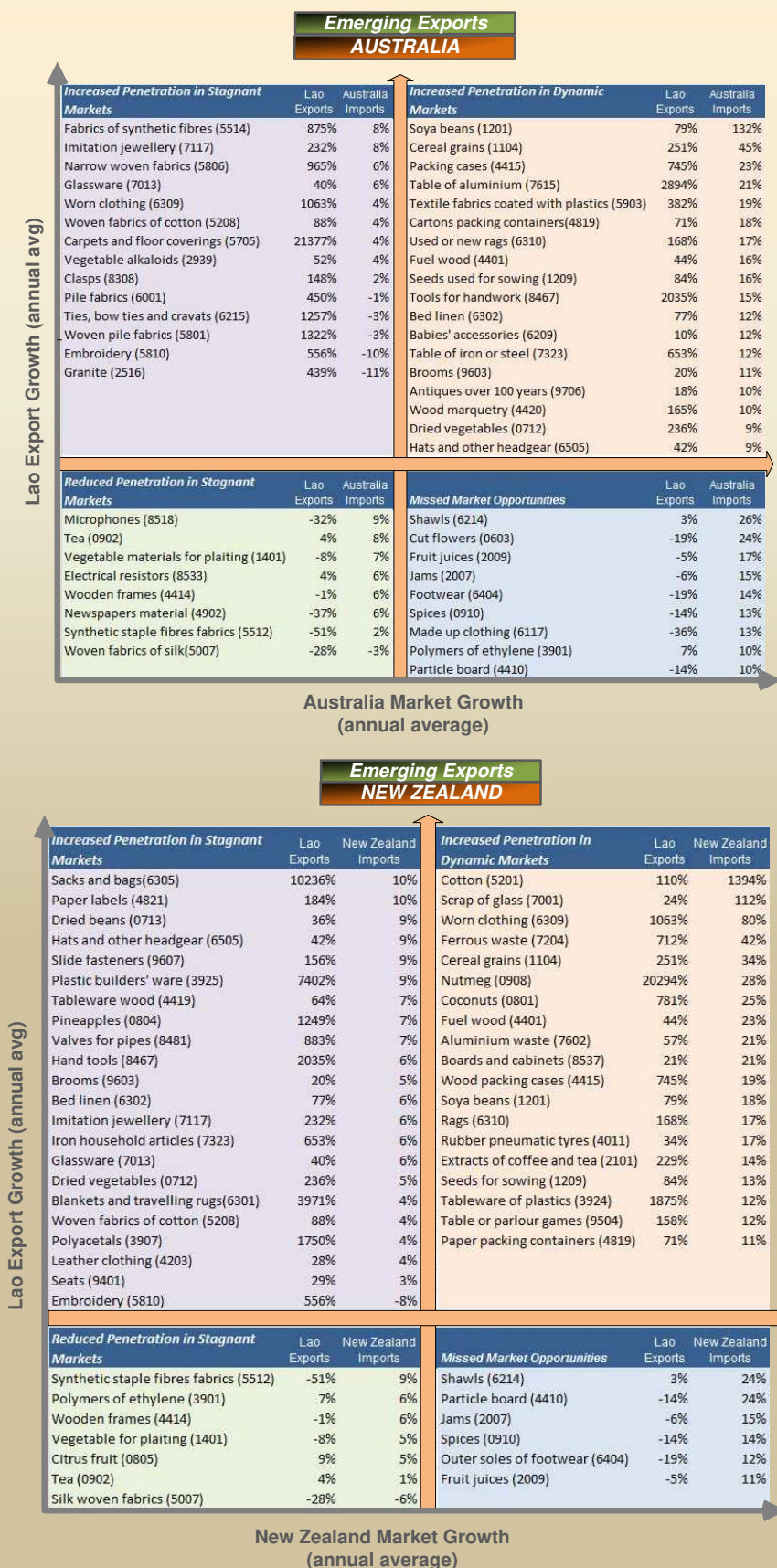


Figure 2.6: Matching High-Growth Lao Exports with Dynamic Australian & New Zealand Imports, 2007-2011



2.3.2. Trending Import Demand Prospects

In order to provide some indication of Australia's and New Zealand's import demand prospects for Lao PDR's major export categories (excluding copper), forecasts have been produced using time-series analysis.⁶

Methodology – This approach essentially projects future movements in trade based on past patterns of change in trade and actual deviations that have occurred from those patterns.⁷ It is a useful alternative to 'structural models' of trade that explain trade based on price and non-price determinants described in the previous section when there is poor data, as is the case of trade volumes for Australia's and New Zealand's imports of Lao PDR's major export products.⁸

Forecasts – Time series forecasts of Australia's and New Zealand's import demand show a near-term expansion associated with year-on-year patterns of change. After a while, those import forecast tend to stabilize around their long-term growth of trade.

For each of the Lao PDR's top exports, Australia's and New Zealand's value of imports is expected to expand as follows:

Table 2.1: Australia's and New Zealand's Import Demand of Lao PDR's Top Export Categories, 1990-2020						
	AUSTRALIA			NEW ZEALAND		
	Historical	Forecast		Historical	Forecast	
	1991-2000	2001-2011	2012-2020	1991-2000	2001-2011	2012-2020
Wood articles; wood charcoal	1%	7%	5%	1%	12%	7%
Apparel and clothing	11%	10%	10%	7%	13%	11%
Coffee and tea	9%	7%	8%	-1%	19%	11%
Cereals	22%	33%	28%	17%	38%	29%
Rubber and articles thereof	5%	9%	8%	3%	17%	11%
Oil seeds and oleaginous fruits	5%	6%	6%	-3%	12%	6%
Footwear	8%	7%	7%	4%	11%	8%
Edible vegetables	3%	9%	6%	5%	14%	10%
Average (unweighted)	7%	12%	10%	4%	19%	13%

As expected, the fast growing imports projected for cereals, clothing and apparel, and, in the case of New Zealand, coffee and tea, rubber and articles thereof, and edible vegetables are products that have had dynamic markets in the past. In contrast, those with slower projected growth rates like wood articles, oil seeds and footwear have had historically slower rates of growth.

For the average of the product categories, Australia's and New Zealand's overall value of imports is projected to grow by 10-13% annually in 2012-20, in contrast to 4-7% in 1991-2000 and 12-19% in 2001-2011.

2.4. Potential Dynamic Markets for Small and Medium-Size Exports

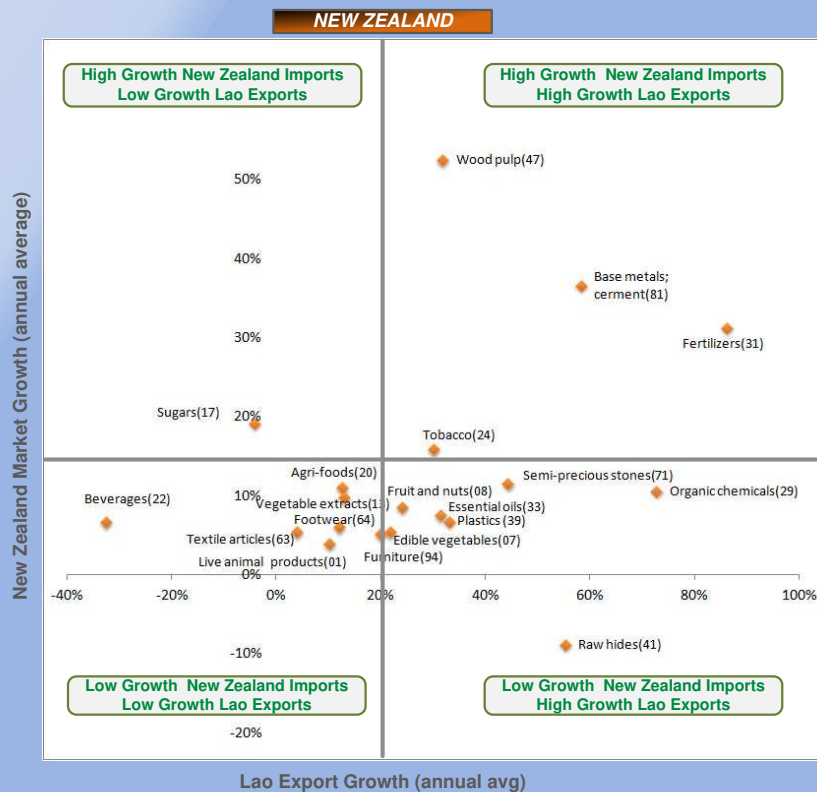
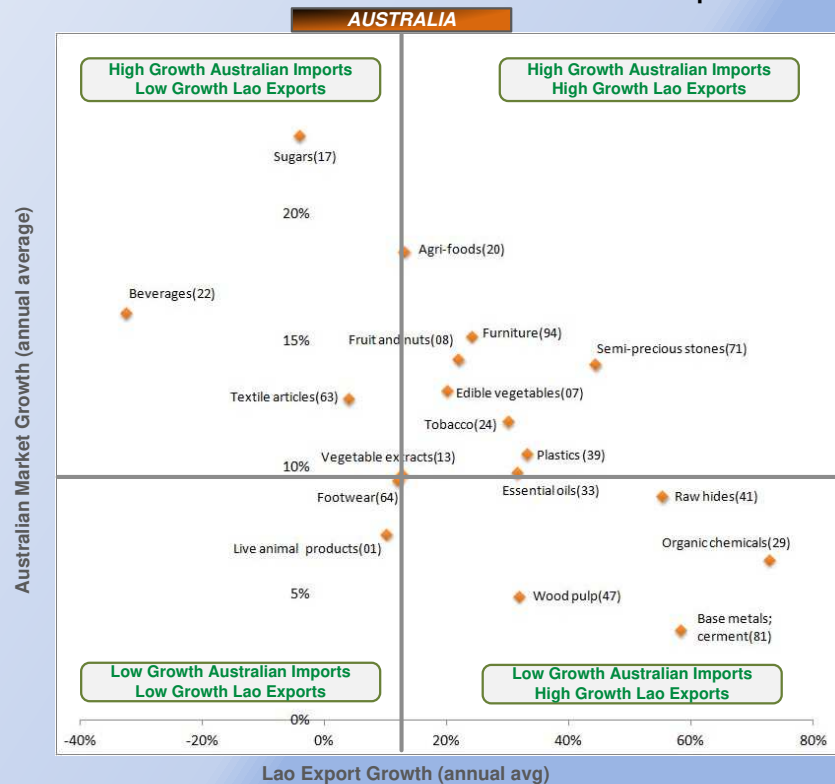
Some of the Lao PDR's small and medium-size exports are among Australia's and New Zealand's fastest growing imports.⁹ Among the fastest growing ones are those in which Lao's own exports have been growing rapidly in the last five years (numbers in parenthesis refer to the HS code for the product group):

- ◆ Semi-precious stones (HS71)
- ◆ Edible vegetables (07)
- ◆ Plastics (HS 39)
- ◆ Furniture (HS 94)
- ◆ Essential Oils (HS 33)
- ◆ Furniture (HS 94)

Other fast growing imports in the Australian and New Zealand markets have not been matched by similarly fast-growing exports from Laos, so there are opportunities for a more export rapid expansion in the following products (see Figure 2.4):

- + Raw hides (HS 41)
- + Organic chemicals (HS 29)
- + Wood pulp (HS 47)
- + Base metals (HS 81)

Figure 2.7: Potential Growth Markets for Small and Medium-Size Exports from Lao PDR



PART 3: Exporter's Guide to Australia's and New Zealand Markets

3.1. How Lao Exporters Can Benefit from the AANZFTA

There are five reasons why Lao exporters should take advantage of the AANZFTA:

- (1) ***MFN tariff rates for non-preferential suppliers.*** Although Australia's and New Zealand's levels of protection are relatively smaller than most other Asian economies, they still pose barriers to those foreign suppliers that do not enjoy preferential access to those markets. Their Most Favored Nation (MFN) Tariff Trade Restrictiveness Index (TTRI) in recent years has averaged 3.2% for Australia and 3.6% for New Zealand, compared with about 5% in East Asia. The MFN rate is the non-preferential rate applied to countries.¹⁰ As a member of ASEAN, Lao exporters can export to Australia and New Zealand under preferential rates and therefore have a substantial competitive advantage in selling their products to Australian and New Zealand businesses at effectively lower prices.
- (2) ***Tariff rates for agricultural products.*** Although Australia's average MFN tariff rate on agricultural products is low (1.6%), that of New Zealand is relatively high at 4.3%. New Zealand's relatively high MFN rates for agricultural imports give Lao exporters an especially large competitive advantage over non-preferential suppliers in selling those types of products to New Zealand businesses.
- (3) ***Australia and New Zealand have conducive environments for doing business.*** For 2013, Australia ranks number 10 and New Zealand ranks number 3 among 185 countries in Ease of Doing Business.¹¹ In trading across borders, Australia ranks 44 and New Zealand ranks 25. They both outperforms the average of other industrialized economies in the time and cost of importing goods, as well as the number of documents needed to import goods.
- (4) ***Australia's and New Zealand's logistics environments are highly favorable to trading.*** Australia and New Zealand substantially outperform the average of other East Asian countries in the efficiency of customs procedures, quality of transport and IT infrastructure, logistics competence of officials, international transport costs, traceability of shipments, and timeliness of shipments. This type of logistics environment greatly facilitates the trade environment for Lao businesses.
- (5) ***Australia and New Zealand Rely Heavily on Trade with ASEAN Countries.*** The ASEAN region is the largest trading partner of Australia and the fourth largest trading partner of New Zealand. In the last ten years, the value of New Zealand's imports from ASEAN member countries has increased 145% and in the last five years trade with the region has grown more than with any other trading partner except China. The ASEAN, Australian and New Zealand leaders are committed to supporting SMEs as major beneficiaries of the trade expansion, and they strongly support the facilitation of trade through a various resource centers (see Chapter 5 below).

3.2. Steps for Lao Exports to Use the AANZFTA

Figure 3.1 shows the general steps to using Lao PDR's FTA with Australia and New Zealand under the AANZFTA. Essentially, it involves (a) determining whether there are benefits to using the FTA, and (b) determining whether the product exports are eligible for FTA preferential rates.

Step 1: Establish the tariff classification of a good by determining the Harmonized System (HS) code of your product.

To determine your 6 or 8 digit HS code, visit the Lao Trade Portal at: <http://www.laotradeportal.gov.la/index.php?r=tradeInfo/index>. The HS code can be searched by entering a description of your product.

Step 2: *Step 3:* Check the tariff commitments for the good in the relevant tariff schedule

If you are exporting to Australia or New Zealand, please check the tariff schedule in Annex 1 of the AANZFTA, available at the www.ASEAN.FTA.govt.nz website. The schedule contains lines that show the year-by-year tariff phase-out arrangements for every tariff item. You can use the 'tariff finder' tool on the website to search for tariff lines. Each tariff line contains the following details:

- A 'base rate' column showing the tariff that applied in 2005.
- The preferential rates under the FTA for each year over the 12-year tariff phase-out period.

The tariff cuts take effect on 1 January of the relevant year.

➡ See Section 3.3 on determining FTA benefits.

Step 3: Determine the Rules of Origin (ROO) applying to the good

➡ See Section 3.4 on determining eligibility for FTA preferential tariff rates.

Step 4: Obtain a Certificate of Origin

For exporting to New Zealand and Australia as well as other countries that have a preferential tariff with the Lao PDR or with ASEAN you can obtain a Certificate of Origin from the Certificate of Origin Division of the Ministry of Industry and Commerce (MOIC).¹²

3.3. Key Elements of AANZFTA Tariff Preferences

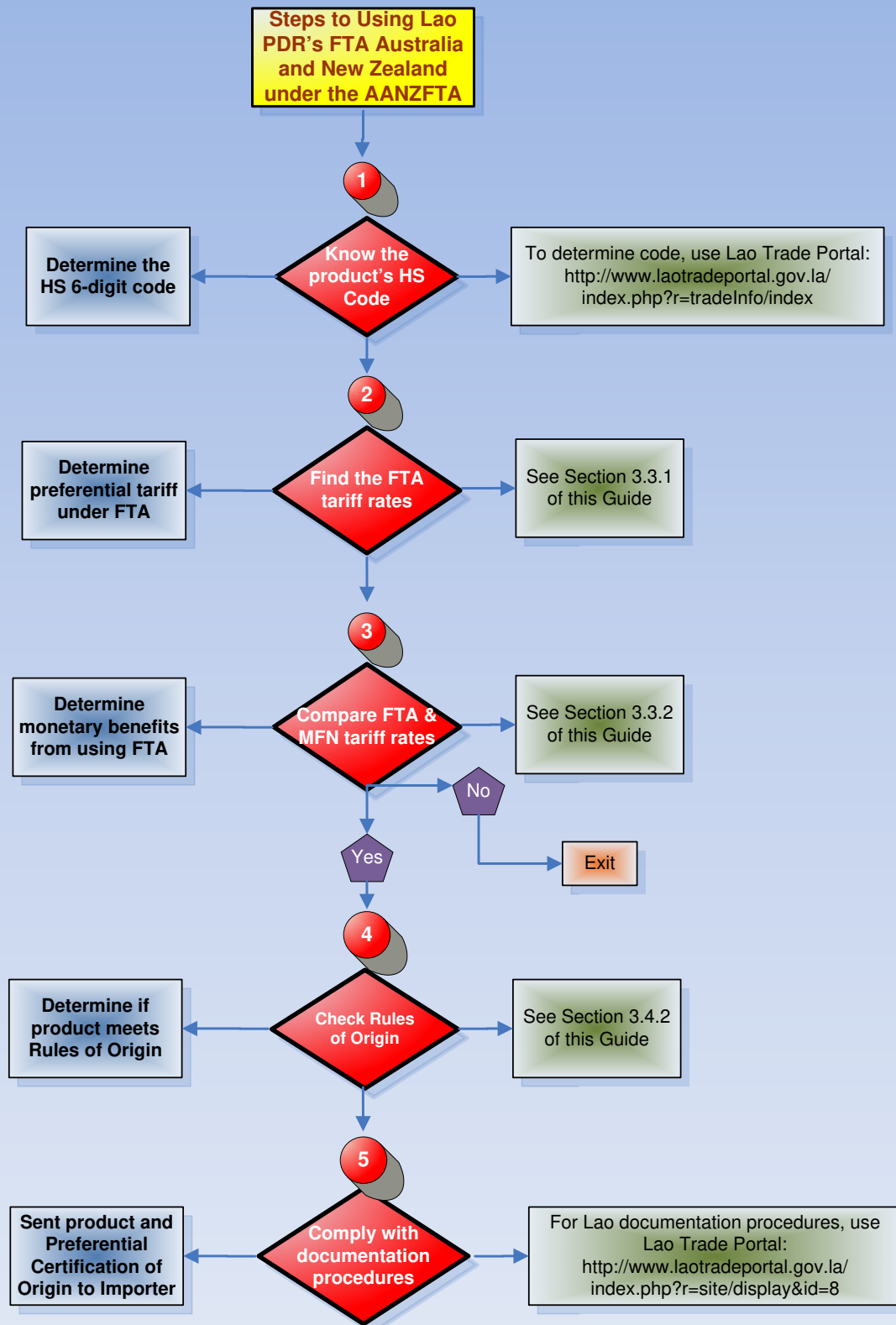
Tariff Reduction Schedule and Product Specific Rules

Chapter 2 of the AANZFTA contains the provisions for tariffs on goods. Those provisions eliminated tariffs on 90% of Australia's imports in 2010 and 90% of those of New Zealand's imports in 2013, with remaining tariffs being eliminated by 2020 for both countries. For Lao imports from Australia and New Zealand, the Agreement provides for a longer transition period and lower tariff elimination outcomes, with the final elimination of tariffs covering 88% of the Lao PDR's tariff lines by 2023.

Annex 1 of the AANZFTA has the schedule of tariff commitments for each signatory to the Agreement, including those of Australia and New Zealand as well as the Lao PDR.¹³

Annex 2 of the AANZFTA lists the product-specific rules. The rules refer to the following requirements for products:

Figure 3.1: General Steps in Using Lao PDR's FTA with Australia



- Products that are wholly obtained according to the Rules of Origin (code 'WO')
- Products that have a Regional Value Content (RVC) of not less than XX per cent (code 'RVC(XX)'). See Section 3.4 below.
- Non-originating materials used in the production of the good that have undergone a change in tariff classification at the 2, 4, 6-digit levels (codes 'CC', CTH, CTSH respectively).

Illustration of Benefits for Lao PDR's Clothing and Footwear

For clothing and footwear, Table 3.1 illustrates the difference between the tariff costs for non-preferential exports to Australia and New Zealand and those under the increasing preferential rates in 2013-2019.

Table 3.1: Difference between AANZFTA Preferential and Non-Preferential Tariff Rates for Clothing and Footwear

Lao Exports of US\$ 100,000 to Australia and New Zealand									
Item			If Exporter Does Not Comply with ASEAN-Korea	If Exporter Does Complies with AANZFTA					
				2013		2016		2019	
HS Code	Description	Importer		Preferential Rate	Savings	Preferential Rate	Savings	Preferential Rate	Savings
CLOTHING AND APPAREL									
610510	Men's/boys' shirts of cotton	Australia	19% applied tariff = \$19,000	15% applied tariff= \$15,000	\$ 4,000	10% applied tariff = \$10,000	\$ 9,000	10% applied tariff = \$10,000	\$ 9,000
		New Zealand	17.5% applied tariff = \$17,500	0% applied tariff= \$0.0	\$17,500	0% applied tariff= \$0.0	\$ 17,500	0% applied tariff= \$0.0	\$17,500
610711	Men's/boys' underpants of cotton	Australia	17.5% applied tariff = \$17,500	15% applied tariff= \$15,000	\$ 2,500	10% applied tariff = \$10,000	\$ 7,500	10% applied tariff = \$10,000	\$ 7,500
		New Zealand	17.5% applied tariff = \$17,500	15% applied tariff= \$15,000	\$ 2,500	10% applied tariff = \$10,000	\$ 7,500	10% applied tariff = \$10,000	\$ 7,500
610910	T-shirts, singlets of cotton	Australia	17.5% applied tariff = \$17,500	0% applied tariff= \$0.0	\$17,500	0% applied tariff= \$0.0	\$ 17,500	0% applied tariff= \$0.0	\$17,500
		New Zealand	19% applied tariff = \$19,000	15% applied tariff= \$15,000	\$ 4,000	10% applied tariff = \$10,000	\$ 9,000	10% applied tariff = \$10,000	\$ 9,000
611020	Jerseys, pullovers, cardigans of cotton	Australia	17.5% applied tariff = \$17,500	0% applied tariff= \$0.0	\$17,500	0% applied tariff= \$0.0	\$ 17,500	0% applied tariff= \$0.0	\$17,500
		New Zealand	19% applied tariff = \$19,000	15% applied tariff= \$15,000	\$ 4,000	10% applied tariff = \$10,000	\$ 9,000	10% applied tariff = \$10,000	\$ 9,000
611030	Jerseys, pullovers of man-made fibres	Australia	17.5% applied tariff = \$17,500	0% applied tariff= \$0.0	\$17,500	0% applied tariff= \$0.0	\$ 17,500	0% applied tariff= \$0.0	\$17,500
		New Zealand	19% applied tariff = \$19,000	15% applied tariff= \$15,000	\$ 4,000	10% applied tariff = \$10,000	\$ 9,000	10% applied tariff = \$10,000	\$ 9,000
620343	Men's/boys' trousers, of synthetic fibres	Australia	17.5% applied tariff = \$17,500	15% applied tariff= \$15,000	\$ 2,500	10% applied tariff = \$10,000	\$ 7,500	10% applied tariff = \$10,000	\$ 7,500
		New Zealand	19% applied tariff = \$19,000	15% applied tariff= \$15,000	\$ 4,000	10% applied tariff = \$10,000	\$ 9,000	10% applied tariff = \$10,000	\$ 9,000
620520	Men's/boys' shirts of cotton	Australia	17.5% applied tariff = \$17,500	0% applied tariff= \$0.0	\$17,500	0% applied tariff= \$0.0	\$ 17,500	0% applied tariff= \$0.0	\$17,500
		New Zealand	19% applied tariff = \$19,000	15% applied tariff= \$15,000	\$ 4,000	10% applied tariff = \$10,000	\$ 9,000	10% applied tariff = \$10,000	\$ 9,000
621133	Track suits of man-made fibres	Australia	17.5% applied tariff = \$17,500	15% applied tariff= \$15,000	\$ 2,500	10% applied tariff = \$10,000	\$ 7,500	10% applied tariff = \$10,000	\$ 7,500
		New Zealand	19% applied tariff = \$19,000	15% applied tariff= \$15,000	\$ 4,000	10% applied tariff = \$10,000	\$ 9,000	10% applied tariff = \$10,000	\$ 9,000
FOOTWEAR									
640399	Footwear without outer soles of leather	Australia	10% applied tariff = \$10,000	0% applied tariff= \$0.0	\$10,000	0% applied tariff= \$0.0	\$ 10,000	0% applied tariff= \$0.0	\$10,000
		New Zealand	19% applied tariff = \$19,000	15% applied tariff= \$15,000	\$ 4,000	10% applied tariff = \$10,000	\$ 9,000	10% applied tariff = \$10,000	\$ 9,000

3.4. Requirements for Receiving Preferential Market Access

Compliance with Rules of Origin: The Rules of Origin (ROO) of the AANZFTA establishes whether goods will be given preferential tariff treatment under the Agreement. It prevents products from outside the ASEAN-Australia-New Zealand region from having access to the FTA benefits. Therefore compliance to ROO is important in exporting products under the AANZFTA and is described in the Rules of Origin chapter of the Agreement.

Origin Criteria

According to the AANZFTA, a good is originating and eligible for preferential tariff treatment if it meets any one of the following:

- (1) Wholly produced or obtained in Laos;
- (2) Not wholly produced or obtained in Laos provided that the good has satisfied the required regional value content of not less than 40 per cent of Free On Board (FOB); or it has undergone a change in the tariff classification at the four-digit level of the HS code in Laos.
- (3) Produced Laos exclusively from originating materials from one or more of the AANZFTA member countries.

A good that complies with the originating requirements will retain its eligibility for preferential tariff treatment if exported to a AANZFTA member country and subsequently re-exported to another AANZFTA member country.

Wholly Obtained or Produced Goods

For a Lao producer or exporter, a good is treated as an 'originating' good from the AANZFTA if it satisfies one the following conditions:

- The good is wholly produced or obtained in Laos; or
- The good meets the applicable product specific rule in Annex 2 of the Agreement: if the good is covered by one of the tariff lines listed in Annex 2, then it needs to meet the Produce Specific Rules set out in Column 4 of Annex 2 to be considered an AANZFTA originating good;¹⁴ or
- The good is produced in Laos exclusively from originating materials from one or more of the countries that are signatories to the AANZFTA.

The following goods that are of interest to Lao producers and exporters are treated as wholly produced or obtained in a party to the AANZFTA Agreement: (a) plants and plant goods (including fruit, flowers, vegetables, trees, fungi, and live plants) grown, harvested, picked, or gathered in Laos; (b) live animals born and raised in Laos; (c) goods obtained from live animals in Laos; and (d) goods obtained from hunting, trapping, farming, gathering, or capturing in Laos and/or in combination with another AANZFTA country.

Examples: Logs sawn in Laos from trees grown in Myanmar, and gold jewelry made in Vietnam from gold mined in Laos are examples of goods qualifying as originating under these wholly produced or obtained provisions of the AANZFTA.

Not Wholly Obtained or Produced Goods

In cases where a good is not wholly obtained or produced in Laos, it is nevertheless considered to be originating from Laos if either of the following conditions applies:

- (1) The *Regional Value Content (RVC)* is at least 40%, or
- (2) There is a *Change in Tariff Classification (CTC)*, that is, a change in tariff classification at the four digit-level of the Harmonized System (HS).

There are two alternative formulas for calculating the RVC, one called the *Direct Formula* and the other called the *Indirect Formula*:

Let RVC = Regional Value Content
 FOB = Free on Board value of the good
 VNM = Value of Non-Originating Materials of the good

(1) *Direct Formula*:

$$RVC = \frac{\text{AANZFTA Material Cost} + \text{Labor Cost} + \text{Overhead Cost} + \text{Profit} + \text{Other Costs}}{\text{FOB}}$$

Example: In order to manufacture a good, a Lao producer imports some material inputs from New Zealand at a cost of \$50 a unit and other inputs from Thailand at a cost of \$20 a unit. The labor cost involved in producing each unit of the good is \$30; overhead costs equal \$25; shipping costs to the Vientiane airport and loading onto a plane costs \$15 for each unit; and the producer aims to make a profit of \$10 on the price of each product sold to an Australian buyer at a price of \$150. Then the calculation of the regional value-content of the good equals:

$$RVC = \frac{\$20 + \$30 + \$25 + \$10 + \$15}{\$150}$$

$$RVC = 67\% = \frac{\$100}{\$150}$$

The product meets the AANZFTA rule of having a RVC equal to at least 40% and is therefore considered to be an “originating good”. Note that the AANZFTA Rules of Origin allows the Lao producer to count inputs from Thailand in the same way as self-produced inputs in the manufacture of the good. However, it does not allow the inputs from New Zealand to be counted as though those inputs were produced by the Lao business.

(2) *Indirect Formula*:

$$RVC = \frac{\text{FOB} - \text{VNM}}{\text{FOB}}$$

Example: In order to manufacture a good, the same Lao producer imports material inputs from New Zealand at a cost of \$50 per unit, and all other costs are the same as in the example above for the direct formula. Then the calculation of the regional value-content of the good equals:

$$RVC = \frac{\$150 - \$50}{\$150}$$

$$\text{RVC} = 67\% = \frac{\$100}{\$150}$$

The indirect formula produces the same RVC as that of the calculation under the direct formula. Since the product meets the AANZFTA rule of having a RVC equal to at least 40%, it is considered to be an “originating good”.

Notes:

- *AANZFTA Material Cost* is the value of originating materials or parts that are acquired or self-produced by the producer in the production of the good;
- *Labor Cost* includes wages, remuneration and other employee benefits;
- *Overhead Cost* is the total overhead expense;
- *Other Costs* are the costs incurred in placing the good in the means of transport for export including, but not limited to, domestic transport costs, storage and warehousing, port handling, brokerage fees and service charges; and
- *Value of Non-Originating Materials (VNM)* is the CIF value at the time of importation or the earliest price paid for all non-originating materials or parts that are acquired by the producer in the production of the good. Non-originating materials include materials of undetermined origin but do not include a material that is self-produced. A good that complies with the origin requirements and that is used in another AANZFTA member country as a material in the production of another good is considered to originate within the AANZFTA area where work on or processing of the finished good has taken place.

Product Specific Rules

The AANZFTA establishes a *Change in Tariff Classification (CTC)* approach that allows a good produced in Lao or another member of the Agreement to be treated as originating if it is classified in a different classification within the internationally-accepted Harmonized System (HS) code from any non-originating materials used in the production of the good.

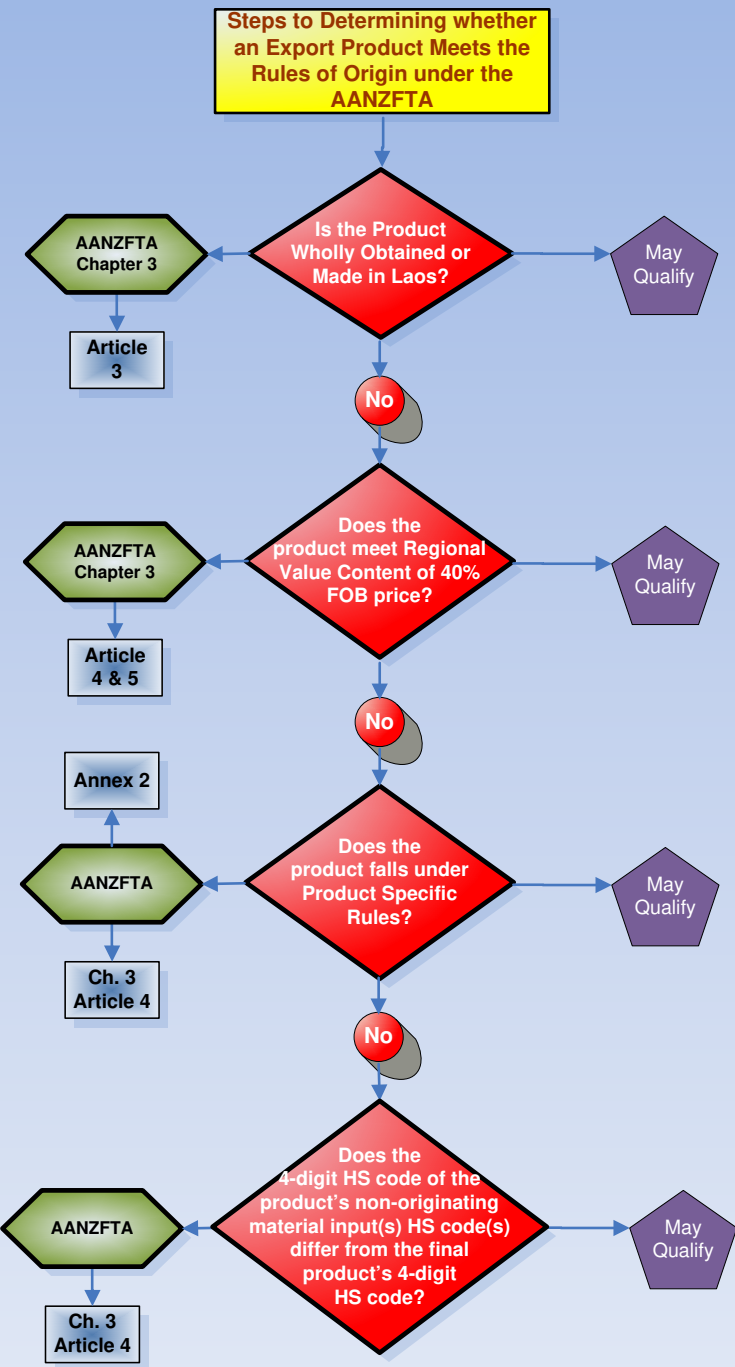
Treatment of Certain Goods

Annex 2 of the AANZFTA lists the product-specific rules. The rules refer to the following requirements for products:

- Products that are wholly obtained according to the Rules of Origin (code ‘WO’)
- Products that have a Regional Value Content (RVC) of not less than XX per cent (code ‘RVC(XX)’). See Section 3.4 below.
- Non-originating materials used in the production of the good have undergone a change in tariff classification at the 2, 4, 6-digit levels (codes ‘CC’, CTH, CTSH respectively).

Example: Knit fabric of HS heading 60.05 is produced in the Lao PDR using non-originating cotton yarn and is exported to New Zealand. The rule for warp knit fabric of HS heading 60.05 in Annex 2 is CC. The non-originating cotton yarn is classified in HS heading 52.06. The result of this rule is that the warp knit fabric is treated as originating in the Lao PDR. The reason is that the warp knit fabric is classified within a different HS chapter (chapter 60) from the non-originating cotton yarn (chapter 52).¹⁵

Figure 3.2: Steps to Determining Rules of Origin Eligibility



Accumulation

The AANZFTA allows originating goods to be accumulated between member countries to the Agreement and used in the production of further goods. The Accumulation Principle applied in the multi-country setting of the AANZFTA. That means that, as long as the product meets the originating criteria, Lao products that serve as inputs to the production of a final good in another ASEAN country, Australia, or New Zealand not only gain preferential treatment when exported to another AANZFTA member country, but those goods can be counted as part of the qualifying content for goods produced and traded between all the AANZFTA member countries. This provision provides further incentives within the region to use Lao materials and helps to improve the Lao PDR's interaction in AANZFTA.

3.5. Export Compliance Requirements

The requirements for exporting Lao PDR-originating product are described in detail in the **Lao Trade Portal** at <http://www.laotradeportal.gov.la>. The following is a brief outline of those requirements. Details and helpful resources are available online on the Lao Trade Portal.

Registration

Export should register with the *Ministry of Industry and Commerce, Enterprise Registration Division*.

Export License

Some products require an export license from the *Ministry of Industry and Commerce, Department of Import and Export (DIMEX)*. The license can be either automatic or non-automatic. Rules about licensing are governed by *Notification No. 0076*

Certificate of Origin

A *Certificate of Origin* for Australia and New Zealand can be obtained from the *Ministry of Industry and Commerce, Certificate of Origin Division*.

Sanitary and Phytosanitary Requirements

For those products subject to sanitary and phytosanitary (SPS) measures, a permit can be obtained from the *Ministry of Agriculture and Forestry*, either from the *Livestock Department* or from the *Plant Quarantine* department depending on what products are to be exported.

Lao PDR has established an *SPS Enquiry Point* as required by the WTO *SPS Agreement*. Questions can be directed at the *SPS Enquiry Point* on any issue about sanitary and phytosanitary requirements. Details of the *SPS Enquiry Point* are available on the Lao Trade Portal website at <http://www.laotradeportal.gov.la>.

Technical Requirements

For certain types of products it may be necessary to obtain a permit that certifies that these products conform to certain technical standards. These technical regulations are administered by the *Ministry of Science and Technology*.

Lao PDR has established a *TBT Enquiry Point* as required by the WTO SPS Agreement. Questions regarding technical standards can be directed at the *TBT Enquiry Point*. Details on the *TBT Enquiry Point* are available on the *Lao Trade Portal* website at <http://www.laotradeportal.gov.la>.

Export Declaration

All goods exported from Laos must be declared to Customs. A declaration is made by submitting a duly completed and signed ACDD Form together with the following minimum supporting documents:

- A commercial invoice or contract of sale document from the supplier of the goods
- Transport documents such as Bill of Lading or Air Way Bill
- Packing List (if available)

Payment of Duties

Once a declaration has been submitted and accepted by Customs, payments must be made for any applicable duties.

Duty Exemption for Exports

The Government of the Lao PDR encourages exports of certain types of products, including most agricultural products, products derived from natural resources, and manufactured products. Those types of products are exempt from the payment of Customs duties. Where export duty is payable, information can be obtained from the *Department of Customs* or from the *Department of Import and Export* (DIMEX) of the *Ministry of Industry and Commerce*.

PART 4: How to Expand Exports to Australia and New Zealand

4.1. SWOT Analysis for Lao Exports to Australian and New Zealand Markets

The Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis in Figure 4.1 show that *lack of awareness* is the primary factor preventing Lao exporters from making greater use of the AANZFTA. Other limitations, such as lack of sufficient Export Quality Infrastructure (EQI), are being remedied. These EQI issues involve import standards and certification of products, competence of laboratories, and accreditation of laboratories.¹⁶

The SWOT analysis emphasizes that the *strengths* of Lao exporters offer large *opportunities* for exporters of all sizes, including SMEs, to realize the opportunities that currently exist in the Australian and New Zealand markets. Some of the key opportunities are as follows:

- Expanding and diversifying exports into high-growth markets.
- Increasing export competitiveness by invoking preferential tariffs, thereby reducing costs to importers and expanding demand for exports from Laos.
- Filling domestic supply gaps of Australian and New Zealand producers in agriculture and natural resources that are abundant in Laos.
- Facilitating SME networking in focal sectors of high interest to Australian and New Zealand importers, thereby ensuring their sustained growth in the Lao economy.
- Proactively supporting Lao exports through the institutionalization of training programs to facilitate processing of export documents, instituting best practices in production, distribution and marketing products destined for Australian and New Zealand markets, and linking producers to high value chains in Australian and New Zealand markets.

Figure 4.1: Strengths, Weaknesses, Opportunities and Threats (SWOT) for Lao PDR's Exports to Australia and New Zealand

	Supply Chain Structure and Functioning	Australian and New Zealand Markets	Small and Medium-Size Enterprises	Institutional Framework
Strengths	<ul style="list-style-type: none"> • Wide range of natural resources and agricultural products that form part of Australian and New Zealand supply chains. • Laos has a comparative advantage in terms of distance to Australian and New Zealand markets relative to other agricultural and resource rich countries. 	<ul style="list-style-type: none"> • Australian and New Zealand demand for quality agri-food products and natural resources is growing rapidly. • Sourcing from non-Australian and New Zealand producers is outpacing domestic sourcing. • Australian and New Zealand non-preferential tariffs in agriculture and textiles are high, so Laos has a large competitive advantage in supplying these types of products to those markets. 	<ul style="list-style-type: none"> • The AANZFTA provides special treatment for SMEs. • Strengthening of domestic SPS measures is greatly facilitating agi-food exports by SMEs. • Lao SMEs are competitive in handicrafts and garments. • Rapid economic growth is helping proliferation of SME numbers. 	<ul style="list-style-type: none"> • Accessing domestic or foreign government support and information is relatively easy and accessible to all, for example, identification of proper access channels to FTA tariff schedules, FTA rules and trade regulations, and documentation requirements. • Lao Trade Portal facilitates SME access to procedures to export to Australia under preferential arrangements. • SMEPDO is implementing business networks and exchange of best practices for SMEs to access foreign markets like those in Australia.

Figure 4.1: Strengths, Weaknesses, Opportunities and Threats (SWOT) for Lao PDR's Exports to Australia
(Continued)

	Supply Chain Structure and Functioning	Australian and New Zealand Markets	Small and Medium-Size Enterprises	Institutional Framework
Weaknesses	<ul style="list-style-type: none"> • Laos lacks sufficient Export Quality Infrastructure (EQI) to meet Australian and New Zealand quality standards. • Impediments for Australian and New Zealand markets are (i) import standards and certification of products, (ii) competence of laboratories related to export, (iii) accreditation of laboratories, metrology and inspection. 	<ul style="list-style-type: none"> • Large competitions from ASEAN-6 countries (Indonesia, Thailand, Malaysia, Singapore, Philippines and Vietnam). • ASEAN-6 countries have faster track for implementing tariff preferences in normal and sensitive products in AANZFTA. • Lao producers lack awareness of AANZFTA, for example, how to read and interpret FTA provisions. 	<ul style="list-style-type: none"> • Relatively few SMEs meet Australian and New Zealand product standards. • SME lack access to information technology (IT) needed to compete in Australian and New Zealand markets. • SMEs lack sufficient technical and skilled labor in supply chains of importance to Australia. • SMEs have low perception about benefits of Australian and New Zealand preferential market access. 	<ul style="list-style-type: none"> • Lao Chamber of Industry and Commerce (LNCCI) lacks support mechanisms for helping Lao exporters to improve to Australian and New Zealand preferential markets. • Trade financing is lacking in Laos, partly because of insufficient IT supporting risk mitigation that would otherwise lower risk premiums of exporters. • Complex and differing rules of origin make it difficult for SMEs to complete export documentation. • Large number of documentation requirements and time need to complete them reduce incentives for businesses, especially those involved in SME activities.
Opportunities	<ul style="list-style-type: none"> • Opportunity to impact growth and employment from upstream and downstream linkages. • Building of sustainable exporter groups can provide leading sectors with continuous supplies. • Opportunity to add value to agricultural products. 	<ul style="list-style-type: none"> • Opportunity to expand and diversify markets from the currently narrow focus on the ASEAN market. • Direct exports of agricultural products to Australian and New Zealand specialized companies and supermarket chains. • Organic food ingredients and food products are one of the fastest growing segments of the food Australian and New Zealand markets. 	<ul style="list-style-type: none"> • Implementation of outreach programs for Lao SMEs to use ASEA-Australia FTA, similar to existing programs for SMEs to use Australia-USA FTA. • Target export sectors having high SME participatory rates: handicrafts, agri-foods, wood processing, garments, footwear, and machinery parts. 	<ul style="list-style-type: none"> • Design programs to apply of best practice methods in production, logistics and marketing Lao exports to Australia and other preferential markets. • Implement support programs to assist businesses certify that goods destined for Australia meet Rules of Origin requirements. • Establish outreach programs to target sectors with high market potential. • SMEPDO and LNCCI to support businesses networks with Australian and New Zealand importers and businesses, including field visits.
Threats	<ul style="list-style-type: none"> • Other ASEAN countries, especially those with faster tracks than Laos, could accelerate growth of products that compete with key Lao exports. • High logistics cost due to inadequate infrastructure. 	<ul style="list-style-type: none"> • Australian and New Zealand importers focus on suppliers from other ASEAN countries having a faster tariff reduction track than Laos. • Australian and New Zealand product standards out of reach of Lao producers due to insufficient or inadequate Export Quality Infrastructure (EQI). 	<ul style="list-style-type: none"> • Lao SMEs are not given access to outreach and special training programs on AANZFTA. • Lao SMEs continue to lack access to IT and sufficient technical and skilled labor. 	<ul style="list-style-type: none"> • Lack of funding for programs to support Lao exporters to Australia and other preferential markets. • Lack of export financing leads to high export risks, which in turn lowers incentives to target Australian and New Zealand markets. • Lack of sustainability of Lao Trade Portal after project contract is completed. • Lack of sufficient interest in business networking.

4.2. Five Ways to Benefit from AANZFTA

Channel 1: Preferential Pricing for Australian and New Zealand Importers

Lao businesses can take advantage of cost-cutting measures from the AANZFTA. The cost structure of Australian and New Zealand industries is, in part, reflected in the price of raw materials and intermediate goods imported by the industries. Since imports from Laos are cheaper for Australian and New Zealand importers than they are from non-preferential supply sources, this cost advantage can greatly increase the demand of Australian and New Zealand industries for Lao exports.

Channel 2: Focus on High Growth Markets

The Lao PDR has an abundance of natural resources that are essential to Australian and New Zealand industries, and it also produces a number of products that have dynamic markets in Australia and New Zealand. They include garments and apparel, wood products, footwear, fresh and processed agricultural products, nuts, cereals, and furniture. With this knowledge, Lao businesses can take full advantage of the favorable business environment offered by the AANZFTA.

Channel 3: Networking among SMEs

Lao businesses can develop networking systems within domestic industries and with overseas distributors and companies to strengthen their presence in Australian and New Zealand markets. In agri-foods, for example, supermarkets now dominate food supply chains in Asia and are rapidly expanding their global presence. At the same time, international mergers and acquisitions and aggressive pricing strategies have concentrated market power in the hands of a few major retailers. That type of industry structure means that Lao businesses can focus their production and marketing activities on a relatively few Australian and New Zealand buyers.

Channel 4: Improve Export Quality Infrastructure

Access to overseas markets like the ones in Australia and New Zealand is generally subject to stringent production standards. For example, in agri-foods, there are supply chain standards worldwide for Good Agricultural Practice (GAP), and other types of certification that are now prerequisite for doing business in Australia and New Zealand and other markets. Similarly, standards exist for clothing and footwear produced for multinationals operating in Australia and New Zealand. The benefits from bringing Export Quality Infrastructure (EQI) in line with those international standards are considerable, as are the economy-wide impact that would be produced from additional employment and expenditures on downstream and supporting industries.

Channel 5: Strengthen Institutional Support Mechanisms

Lao businesses can benefit from several types of institutional mechanisms:

- ✓ Information systems such as the Lao Trade Portal.
- ✓ Australian and New Zealand agencies promoting trade with ASEAN countries in support of the FTA.

- ✓ Domestic institutions helping to facilitate best practices for production, distribution and marketing to overseas buyers in Australia and New Zealand and elsewhere.
- ✓ SME clusters that facilitate logistics and possibly strengthen access to trade financing.

Figure 4.2 below summarizes these opportunities for Lao exporters to the Australian and New Zealand market under the type of competitive analysis that is useful for businesses when developing a strategy and action plan for their business plans.

Figure 4.2: Competitive Analysis of Lao PDR Exporters in Australian and New Zealand Markets		
	Strengths	Weaknesses
Pricing Conditions	<ul style="list-style-type: none"> ■ Proximity of upstream activities. ■ Abundance of natural resources for basic agricultural and processing activities. ■ FTA cost-reducing preferences enhance price-competitiveness. ■ Wide range of opportunities to increased pre-export processing. 	<ul style="list-style-type: none"> ■ SMEs lack access to export financing. ■ High logistics costs for individual businesses. ■ Cost of meeting Australian health product standards and controls.
Demand Conditions	<ul style="list-style-type: none"> ■ Increasing use of Australian and New Zealand-consistent product standards. ■ Experience in marketing and distribution in ASEAN regional market. ■ Strong Australian and New Zealand demand for types of products produced in Laos. 	<ul style="list-style-type: none"> ■ Inconsistent quality standards for export market. ■ Regulations difficult to access for SMEs. ■ Australian consumer preferences differ from those of ASEAN consumers. ■ Lack cutting edge knowhow or sophistication for export markets.
Industry Networking	<ul style="list-style-type: none"> ■ SMEs have ample opportunities to network and develop scale economies through clusters ■ Strong supporting relationships and relationships among Lao businesses. 	<ul style="list-style-type: none"> ■ Lacking cluster development and collaboration with overseas networks. ■ Weak linkages to shipping, logistics, warehousing, software, banking and finance.
Conditions for Conducting Business	<ul style="list-style-type: none"> ■ Increasingly transparent business environment. ■ Clusters disseminate information about business regulations. 	<ul style="list-style-type: none"> ■ Price-based competition for similar products from other ASEAN countries in Australian and New Zealand markets. ■ Lack of attention to design and manufacturing processes. ■ Weak product design feedback loop.

PART 5: Useful Resources

5.1. Contacts and Resources

New Zealand Government Resources for the AANZFTA

Description: The website is maintained by the Government of New Zealand and it contains a large amount of information about the AANZFTA, including the complete text of the Agreement. Among the features of interest to Lao businesses are the following: (a) summary of key provisions of the Agreement; (b) publications on trading with Australia and New Zealand, including a Rules of Origin fact sheet; (c) a 'tariff finder' that allows Lao businesses to find both the tariff applying at the date the FTA comes into force and the rates for each year while tariffs are being phased out; (d) A checklist of key points for using AANZFTA to export or import goods; (e) a section on 'Frequently Asked Questions' (FAQ).

Site: <http://www.asean.fta.govt.nz/>

Australian Government Resources for the AANZFTA

Description: The Department of Foreign Affairs and Trade of the Australian Government maintains a website on key elements of the AANZFTA. Although not as complete as the aforementioned one maintained by the Government of New Zealand, it has resources from the perspective of Australian trade with the ASEAN member states.

Site: <http://www.dfat.gov.au/trade/fta/asean/>

ASEAN Secretariat Resources for the AANZFTA

Description: The website is maintained by the ASEAN Secretariat and it contains amount of information about the AANZFTA. Among the features of interest to Lao businesses are the following: (a) key provisions of the Agreement; (b) a calendar of upcoming events related to the AANZFTA; (c) a 'tariff finder' that allows Lao businesses to find both the FTA tariff rate; (d) a Rules of Origin (ROO) Product Specific Rules finder that allows the user to find the ROO applicable to each product; (e) forms for Certificate of Origin, guidelines for the use of those Certificates of Origin, and a AANZFTA export declaration form; and (f) contact points in each AANZFTA member country.

Site: <http://aanzfta.asean.org/>

AANZFTA: Primer on Rules of Origin (in English and in Lao)

Available at: <http://aanzfta.asean.org/index.php?page=guides>

AANZFTA: A Guide for ASEAN Business (in English and in Lao)

Available at: <http://aanzfta.asean.org/index.php?page=guides>

AANZFTA Contact Points for Australia and New Zealand

Australia –

Mr. Milton Church, Coordinator for Goods Committee of AANZFTA
South-East Asia Goods Branch, Free Trade Agreement Division, Department of
Foreign Affairs and Trade
Department of Foreign Affairs and Trade, R G Casey Building, John McEwen,
Barton ACT 0221 Australia
Tel: +61 2 6261 3889
Fax: +61 2 6261 2187
milton.churche@dfat.gov.au (also copy emails to asean.fta@dfat.gov.au)

New Zealand –

Mr. Mr. Steve McCombie , Deputy Director and Unit Head FTA and Economic Unit,
Asia Regional Division
Ministry of Foreign Affairs and Trade
Tel: (+64) (4) 439 8886
Email: steve.mccombie@mfat.govt.nz

Mr. Andrew Gillespie, Policy Officer (AANZFTA)
FTA and Economic Unit/Asia Regional Division
New Zealand Ministry of Foreign Affairs & Trade
Email: Andrew.Gillespie@mfat.govt.nz. Also copy to ARD@mfat.govt.nz

Customs Department of Ministry of Finance

Description: Information on customs duties and border regulations, along with legislation and customs regime, and tariff nomenclature.

Site: <http://customs.gov.la>

Lao National Chamber of Commerce and Industry (LNCCI)

Description: LNCCI represents the business community in Lao PDR. It has more over 1000 members represented through Chambers of Commerce in 13 provinces and business associations and groups. Its mandate is to identify problems and concerns of members and make sure that they are presented to the government.

Site: www.laocci.com

Contact: Kayson phomvihane Ave., Ban Phonphanao, Saysettha District, Vientiane Capital, Lao PDR, P.O.Box: 4596, Tel: (+856 - 21) 453 312; Fax: (+856 - 21) 452 580.
Email: lncci@laopdr.com

Lao Trade Portal

Description: Their website is a single stop point for all information relating to export from Laos, along with imports into the country.

Site: www.laotradeportal.gov.la

Contact: Department of Import and Export, Ministry of Industry and Commerce. Phonexay Road, Ban Phonexay, Saysettha District, PO Box 4107, Vientiane Capital, Lao PDR. Tel: +856 21 454 224; Fax: +856 21 454 224. Email: enquiries@laotradeportal.gov.la

Ministry of Agriculture

Description: For exports of agricultural products, producers and exporters can obtain the relevant permits and sanitary and phytosanitary certificates from the following departments: (a) Department of Agriculture; and (b) Department of Livestock and Fisheries.

Site: www.maf.gov.la

Ministry of Industry and Commerce

Description: Provides comprehensive information on all aspects of trade and industrial activity in Laos, with links to contacts in the key department for exporters:

- Import and Export Department
- Inspection Department
- Industry and Handicraft Department
- Production and Trade Promotion Department
- SME Department.

Site: www.moc.gov.la

Contacts: Phonexay Road, Ban Phonexay, Saysettha District, PO Box 4107, Vientiane Capital, Lao PDR. Tel: +856 21 454 224; Fax: +856 21 454 224.

Ministry of Science and Technology

Description: For exports that must meet certain technical standards, this Ministry issues the necessary certificates or permits required to import or export products which are subject to certain technical standards.

Site: <http://www.most.gov.la/>

National Portal of Lao PDR

Description: The site has extensive information on all government agencies, legislation, e-services, and the business sector.

Site: www.laopdr.gov.la/

SPS-TBT Inquiry Point

Description: A comprehensive site providing answers on technical requirements and SPS-related measures for products sold in their countries.

Site: <http://www.laotradeportal.gov.la/index.php?r=site/displayb&id=103#Top>

Contact: Department of Planning, Division of Agriculture and Forestry Ministry of Agriculture and Forestry, P.O.Box 811 Vientiane, Lao PDR, Tel: +856 21 415363; Fax: +856 21 412343. Email: spsenquiries@laotradeportal.gov.la

SMEPDO: National Small and Medium Sized Enterprise Office

Description: The principal office promoting Lao SMEs.

Site: <http://www.smepdo.org>

Contact: Nong Bone Rd, Xaysettha District, Ban Fai Area, Vientiane Capital, Lao PDR, P.O.Box 474, Tel.: +856 21 414064, +856 21 263590, Fax: +856 21 263591, E-mail: info@smepdo.org.

5.2. Glossary of Terms

Term	Acronym	Description
Accumulation	-	Provision that allows, when determining the origin of a good, for the consideration of inputs as originating provides that they come from another country that participates in the free trade zone.
Ad Valorem Tariff	AVT	A tariff rate charged as percentage of the price.
Applied Tariff/Applied Rate	-	Duties that are actually charged on imports. These can be below the bound rates.
Association of Southeast Asian Nations	ASEAN	Comprises of 10 member States. Nine ASEAN members are members of the WTO - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.
Certificate of Origin (C/O)	C/O	A document used in international trade. It is a printed form, completed by the exporter or its agent and certified by an issuing body, attesting that the goods in a particular export shipment

Term	Acronym	Description
		have been wholly produced, manufactured or processed in a particular country
Change in Tariff Classification(CTC)	CTC	Criteria used in the determination of origin that stipulates the change in the tariff nomenclature that an imported input must undergo when incorporated into a final good so that the final good may acquire originating status. The change in tariff classification can be at Chapter level (first two digits of the tariff nomenclature), Heading level (first four digits of the tariff nomenclature), or Sub-heading level (first six digits of the tariff nomenclature).
Change in Tariff Heading (CTH)	CTH	Refers to the processing and manufacturing operations of non-originating materials carried out in the area of one side and resulting in a product of different four-digit tariff heading under the 'Product Description and Harmonized System Codes'
Cost in freight (CIF)	CIF	Refers to the value of the good imported and include the cost of freight and insurance up to the port or place of entry into the country of importation.
Department of Import and Export (DIMEX)	DIMEX	Within the Ministry of Industry and Commerce (MOIC), the department is responsible for issuing import and export licenses for all products that require them, along with the issuance of Certificates of Origin for countries that are part of a preferential trade agreement.
Export Quality Infrastructure (EQI)	EQI	Covers all export-related fields of metrology, standardization and testing, of quality management and conformity assessment, including certification and accreditation. In the past, the abbreviation MSTQ (Metrology, Standardization, Testing and Quality Assurance) was used for this combination of single elements.
Free on Board	FOB	Indicates the price for goods including delivery at seller's expense to a specified point.
Free Trade Agreement (FTA)	FTA	Trade within the group is duty free but members set their own tariffs on imports from non-members (e.g. ASEAN).
Good Agricultural Practice (GAP)	GAP	A set of principles to apply for on-farm production and post-production processes, resulting in safe and healthy food and non-food agricultural products, while taking into account economic, social and environmental sustainability.

Term	Acronym	Description
Harmonized System (HS)	HS	An international nomenclature developed by the World Customs Organization, which is arranged in six-digit codes allowing all participating countries to classify traded goods on common basis. Beyond the six-digit level, countries are free to introduce national distinctions for tariffs and many other purposes.
Harmonized System 6-digit	HS 6-digit	The World Customs Organization's Harmonized System (HS) uses code numbers to define products. A code with a low number of digits defines broad categories of products; additional digits indicate sub-divisions into more detailed definitions. Six- digit codes are the most detailed definitions that are used as standard. Countries can add more digits for their own coding to subdivide the definitions further according to their own needs. Products defined at the most detailed level are "tariff lines".
Most Favored Nation (MFN)	MFN	Most-favored-nation treatment (GATT Article I, GATS Article II and TRIPS Article 4), the principle of non-discriminating between one's trading partners.
Most Favored Nation Tariff	MFN Tariff	Normal non-discriminatory tariff charged on imports (excludes preferential tariffs under free trade agreements and other schemes or tariffs charged inside quotas).
Non-Originating Good	-	A good of material that does not qualify as originating according to the established Origin Regime.
Non-Tariff Barrier to Trade	NTB	Quotas, import licensing systems, sanitary regulations, prohibitions, and other non-tariff trade impediments.
Originating Good	-	A good that, by virtue of fulfilling the requirements of the Origin Regime is considered originating in the country in which its production process has been carried out, regardless of whether imported inputs were used in its production.
Preferential Tariff	-	A tariff rate extended to partner countries who have signed Free Trade Agreements(FTA) with each other. This means that customs duties for selected imported goods that originated from the FTA partner countries are lower or totally eliminated.
Regional Value Content (RVC)	RVC	Refers to the total value of raw materials, component parts, labor costs and product development costs exclusively incurred in one side being greater than or equal to an agreed percentage of the FOB value of the exporting

Term	Acronym	Description
		goods, and that the final manufacturing or processing operations should be completed in area of that side.
Rules of Origin (ROO)	ROO	Laws, regulations and administrative procedures, which determine a product's country of origin. A decision by customs on whether a shipment falls within a quota limitation, qualifies for a tariff preference or is affected by an anti-dumping duty.
Sanitary and Phytosanitary (SPS)	SPS	Refers to measures taken to protect public health within their borders so long as they do so in a manner that restricts trade as little as possible
Sensitive List	-	A list containing each country's sensitive products.
Sensitive Products	-	Products that would have smaller tariff cuts than from the products in the Normal Track.
Tariff Line	-	A product as defined in lists of tariff rates. Products can be sub-divided, the level of detail reflected in the number of digits in the Harmonized System (HS) code use to identify the product.
Tariff Trade Restrictiveness Index (TTRI)	TTRI	Refers to the uniform tariff which, if applied to all goods, would yield the same welfare level as the existing tariff structure.
Tariffs	-	Customs duties on merchandise imports. Levied either on an ad valorem basis (percentage of value) or on a specific basis (e.g. \$7 per 100 kgs). Tariffs give advantage to similar locally - produced goods and raise revenues for the government.
Trade Facilitation	-	Process that eliminates obstacles to movement of goods across borders (e.g. simplification of customs procedures).
Transaction Value	-	Customs value of an imported good computed on the basis of the price actually paid or payable for it at the time it was exported.
Value of Non-Originating Materials	VNM	The that are acquired and used by the producer in the production of good; VNM does not include the value of a material that is self-produced.
Wholly Obtained	-	A good that contains no imported inputs and that has been wholly produced or obtained within a country participating in a free trade area.

ANNEX: The ASEAN-Australia Free Trade Agreement

The complete *Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Co-operation among the Governments of the Member Countries of the Association of South East Asian Nations and the Republic of Australia* is available online at the following site:

<http://www.laotradeportal.gov.la/index.php?r=site/display&id=82>

APPENDIX: Australia and New Zealand Trade with Laos in Its Leading Exports

A. TOP 35 LAO EXPORTS TO AUSTRALIA (Value and Volume)

Row Labels		Value (US dollars)					Quantity (Weight in kilograms)				
		2,007	2,008	2,009	2,010	2,011	2,007	2,008	2,009	2,010	2,011
090111	Coffee, not roasted, not decaffeinated	80,055	-	-	106,670	3,127,017	38,400	-	-	34,260	571,013
620193	Men's or boys' wind-jackets man-made fibres	5,735	-	-	259,975	858,548	205	-	-	7,082	10,416
620530	Men's or boys' shirts excluded knitted nor crocheted	-	-	-	-	449,533	-	-	-	-	37,060
440929	Wood continuously shaped along any of its edges	229,886	182,416	173,444	756,735	314,259	-	84,674	69,300	359,760	228,661
620520	Men's or boys' shirts excl. knitted/crocheted of cotton	6,226	-	24,979	77,781	188,648	229	-	555	2,257	6,182
711319	Articles of jewellery of other precious metal	-	-	-	-	154,449	-	-	-	-	15
842952	Self-propelled mechanical shovels	-	-	-	-	76,383	-	-	-	-	43
610990	T-shirts, singlets & other vests, knitted, crocheted of cotton	1,796	-	16,663	26,512	55,611	57	-	409	720	4,721
620349	Men's boys' trousers, & shorts of other textile materials	3,593	-	-	-	47,194	148	-	-	-	2,019
610510	Men's or boys' shirts, knitted or crocheted, of cotton	11,183	9,322	95,721	97,016	44,971	509	403	2,728	3,550	1,575
220300	Beer made from malt	-	26,799	34,462	36,278	39,266	-	1,320	1,682	1,390	65,834
420292	Trunks, suit-cases, of outer surface of plastic sheeting or textile materials	-	-	24,502	10,278	34,795	-	-	1,482	733	2,850
621410	Shawls, scarves of silk or silk waste	992	1,212	2,956	3,071	24,465	7	9	22	23	159
441879	Assembled flooring panels	-	-	-	21,363	22,823	-	-	-	8,494	15,970
620462	Women's or girls' trousers of cotton	1,852	-	-	18,564	21,725	82	-	-	681	122
620342	Men's or boys' trousers, shorts of cotton	2,623	11,862	53,939	19,845	20,813	154	596	1,988	877	125
841370	Centrifugal pumps	-	-	-	-	18,580	-	-	-	-	1,100
620640	Women's or girls' blouses, shirts & shirt-of man-made fibres	-	-	-	-	18,482	-	-	-	-	1,201
610821	Women's or girls' briefs & panties, knitted or crocheted, of cotton	-	-	-	-	8,349	-	-	-	-	106
610452	Women's or girls' skirts & divided skirts, knitted and crocheted, of cotton	-	-	-	-	6,649	-	-	-	-	350
440710	Wood sawn/chipped length wise, sliced/peeled, coniferous	-	23,805	-	-	5,161	-	40,886	-	-	189
621143	Track suits women's or girls'; other garments of man-made fibres	75,570	63,353	-	-	4,817	2,999	2,500	-	-	297
620213	Women's or girls' overcoats, raincoats of man-made fibres	-	-	-	-	4,734	-	-	-	-	196
610343	Men's or boys' trousers, shorts, knitted or crocheted, of synthetic fibres	-	-	9,478	14,531	3,737	-	-	316	729	279
441510	Cases, boxes, drums & similar packings of wood	-	-	-	-	3,007	-	-	-	-	17,662
442190	Articles of wood	-	-	3,658	-	2,882	-	-	1,105	-	1,350
848180	Taps, cocks, valves & similar appliances for pipes	1,608	5,766	-	-	2,468	85	265	-	-	333
843143	Parts suit. for use solely/principally with the boring/sinking machinery	-	-	-	-	2,222	-	-	-	-	34
848110	Pressure-reducing valves for pipes or boiler shells	-	-	-	-	1,858	-	-	-	-	249
442090	Wood marquetry & inlaid wood or caskets & cases for jewellery and cutlery	-	-	-	-	1,731	-	-	-	-	1,440
610620	Women's or girls' blouses, shirts & shirt-blouses, of man-made fibres	-	-	-	1,245	1,615	-	-	-	36	89
940360	Wooden furniture	-	-	-	-	1,576	-	-	-	-	3,243

B. AUSTRALIAN IMPORTS FROM ALL COUNTRIES (Top 35 Lao Exports to Australia)

		Value (US dollars)					Quantity (Weight in kilograms)				
Row Labels		2,007	2,008	2,009	2,010	2,011	2,007	2,008	2,009	2,010	2,011
090111	Coffee, not roasted, not decaffeinated	122,979,569	148,969,574	145,027,274	190,098,373	303,222,931	53,779,323	53,446,779	57,052,388	64,119,189	66,800,813
620193	Men'sor boys' wind-jackets man-made fibres	14,720,582	16,704,976	15,586,460	13,776,362	22,278,865	525,053	537,302	349,606	375,307	1,251,889
620530	Men's or boys' shirts excluded knitted nor crocheted	36,947,379	37,540,871	30,518,602	40,500,386	47,865,702	1,935,763	1,917,154	1,540,925	1,853,209	3,526,254
440929	Wood continuously shaped along any of its edges	152,138,421	137,044,023	142,371,526	156,713,073	189,638,552	-	63,613,471	56,885,254	74,503,153	104,758,505
620520	Men's or boys' shirts excl. knitted/crocheted of cotton	128,296,562	156,428,016	146,759,576	174,200,123	223,543,475	4,728,433	4,992,314	3,262,194	5,055,452	10,407,751
711319	Articles of jewellery of other precious metal	465,912,044	527,941,099	503,175,469	567,300,170	607,122,564	32,524	28,561	19,650	23,983	130,401
842952	Self-propelled mechanical shovels	625,662,507	809,892,931	370,208,164	590,289,641	940,540,607	122,527,474	155,559,283	65,080,843	112,628,385	113,165,064
610990	T-shirts, singlets & other vests, knitted,crocheted of cotton	91,651,037	101,794,367	95,563,192	120,808,182	147,993,449	2,884,420	2,868,810	2,345,982	3,282,211	9,167,425
620349	Men's boys' trousers, & shorts of other textile materials	8,262,104	8,602,697	6,724,375	6,881,110	6,912,257	339,762	312,975	202,186	229,229	373,972
610510	Men's or boys' shirts, knitted or crocheted, of cotton	55,953,527	60,090,902	48,743,298	55,829,805	68,432,581	2,545,415	2,596,265	1,389,081	2,043,119	3,757,705
220300	Beer made from malt	115,607,421	157,825,818	173,848,342	180,644,750	196,211,996	139,773,405	4,747,554	5,021,172	5,388,870	244,290,504
420292	Trunks, suit-cases, of outer surface of plastic sheeting or textile materials	209,115,424	259,963,955	248,910,104	277,258,131	329,237,205	17,951,612	20,886,742	15,052,162	19,775,697	40,884,697
621410	Shawls, scarves of silk or silk waste	2,689,125	4,183,360	4,567,059	5,576,025	6,715,062	18,712	32,597	34,424	41,977	81,005
441879	Assembled flooring panels	2,938,092	5,534,417	5,648,254	9,179,141	9,453,556	-	2,220,950	2,090,162	3,649,617	5,808,635
620462	Women's or girls' trousers of cotton	195,636,529	230,771,044	211,296,382	242,596,077	282,309,397	8,619,368	9,169,383	6,176,264	8,898,065	14,307,670
620342	Men's or boys' trousers, shorts of cotton	195,385,554	220,912,720	205,754,672	245,442,427	312,482,697	11,472,435	11,104,191	7,582,548	10,848,878	19,027,260
841370	Centrifugal pumps	161,349,566	163,441,052	167,884,246	176,268,805	208,757,041	10,476,565	9,859,599	9,329,580	9,714,155	13,364,644
620640	Women's or girls' blouses,shirts & shirt-of man-made fibres	67,083,932	70,168,661	65,903,714	88,806,200	109,491,887	2,031,636	1,870,829	1,471,506	2,266,643	4,968,148
610821	Women's or girls' briefs & panties, knitted or crocheted, of cotton	50,183,728	52,274,658	53,931,396	55,832,520	71,187,147	2,002,738	2,024,859	1,811,787	1,978,962	4,325,908
610452	Women's or girls' skirts & divided skirts, knitted and crocheted, of cotton	4,867,159	7,305,423	6,526,441	4,848,713	6,544,233	189,356	284,825	226,480	178,011	344,970
440710	Wood sawn/chipped length wise, sliced/peeled, coniferous	210,630,063	260,110,158	172,557,758	263,442,195	279,999,512	427,106,492	446,745,791	283,710,304	536,582,303	327,066,299
621143	Track suits women's or girls'; other garments of man-made fibres	20,720,629	31,743,684	46,976,849	59,294,653	82,255,686	822,357	1,252,436	1,556,224	2,084,014	4,700,754
620213	Women's or girls' overcoats, raincoats of man-made fibres	10,179,122	13,604,305	15,085,888	17,481,831	22,825,115	266,296	340,135	321,233	418,962	943,580
610343	Men's or boys' trousers, shorts,knitted or crocheted, of synthetic fibres	17,714,029	21,427,678	19,482,008	21,765,309	28,306,202	1,128,515	1,262,376	649,138	1,091,627	2,111,396
441510	Cases, boxes, drums & similar packings of wood	1,425,159	1,670,816	1,940,735	2,169,942	3,287,827	810,980	866,198	859,282	1,165,980	2,864,222
442190	Articles of wood	42,064,062	56,219,327	49,593,573	55,694,401	68,812,845	17,040,743	21,554,195	14,979,412	19,805,053	24,403,350
848180	Taps, cocks, valves & similar appliances for pipes	654,645,274	782,166,961	794,741,907	772,504,468	827,797,006	34,791,518	36,008,080	31,669,383	32,015,004	37,740,579
843143	Parts suit. for use solely/principally with the boring/sinking machinery	117,004,074	186,046,671	146,578,163	227,071,663	234,435,339	5,673,977	7,296,584	6,759,068	9,420,634	9,480,219
848110	Pressure-reducing valves for pipes or boiler shells	26,872,118	36,093,348	24,080,082	30,029,180	30,758,177	828,608	977,054	615,755	781,804	878,230
442090	Wood marquetry & inlaid wood or caskets & cases for jewellery and cutlery	9,178,783	10,525,610	8,881,151	9,540,225	12,043,622	1,705,240	1,870,364	1,504,750	1,746,468	4,910,623
610620	Women's or girls' blouses, shirts & shirt-blouses,of man-made fibres	26,912,907	31,285,770	28,149,647	31,293,238	42,068,189	787,239	850,771	665,599	903,754	2,314,195
940360	Wooden furniture	346,207,188	392,189,087	352,520,190	381,407,958	456,627,069	105,741,818	107,628,031	86,156,069	109,524,957	212,740,119

C. TOP 35 LAO EXPORTS TO NEW ZEALAND (Value and Volume)

HS Code	Description	Value (US dollars)					Quantity (Weight in kilograms)				
		2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
240120	Tobacco, partly,wholly stemmed,stripped	0	0	0	0	190754	0	0	0	0	41280
090111	Coffee, not roasted, not decaffeinated	2741		60955	161199	96981	1217	0	19424	44700	25701
610510	Men's or boys' shirts, knitted,crocheted, of cotton	0	0	0	0	24123	0	0	0	0	788
610990	T-shirts, singlets other than of cotton	0	0	0	0	6880	0	0	0	0	239
220300	Beer made from malt	3123	3639	8241	5079	5835	5911	7320	15320	197	7320
610910	T-shirts, singlets knitted or crocheted, of cotton	80	62	111	0	3934	6	2	6	0	183
620342	Men's or boys' trousers, shorts of cotton	9955	2001		477	1537	559	46	0	21	62
620333	Men's or boys' jackets of synthetic fibres	0	0	0	0	984	0	0	0	0	28
620462	Women's or girls', trousers,shorts of cotton	1272	0	0	48	282	47	0	0	2	6
621410	Shawls, scarves, mufflers of silk or silk waste	0	2499	0	0	0	0	7	0	0	0
340290	Organic surface-active agents, surface-active preparations	0	2186	0	0	0	0	1608	0	0	0
521011	Woven fabrics of cotton of man-made fibres, unbleached	0	581	0	0	0	0	32	0	0	0
520911	Woven fabrics of cotton ,unbleached, plain weave	0	456	0	0	0	0	1	0	0	0
620453	Women's or girls' skirts & divided skirts of synthetic fibres	0	402	0	0	0	0	1	0	0	0
870891	Radiators & parts thereof for the motor vehicles	0	143	0	0	0	0	8	0	0	0
851690	Parts of the machinery & appliances of 85.16	30	91	0	0	0	1	3	0	0	0
850440	Static converters	0	88	0	0	0	0	1	0	0	0
610120	Men's or boys' overcoats, car-coats, knitted/crocheted of cotton	0	54	0	0	0	0	1	0	0	0
845090	Parts of the h-hold./laundry-type washing machines	0	44	60	0	0	0	1	1	0	0
640699	Removable insoles, heel cushions	0	44	0	0	0	0	5	0	0	0
841899	Parts of the refrigerating/freezing equipments	0	30	0	0	0	0	1	0	0	0
340220	Surface-active or washing preparations not containing soap	0	29	0	0	0	0	27	0	0	0
621490	Shawls, scarves of textile materials other than silk or artificial fibres	0	13	0	0	0	0	1	0	0	0
847180	Other units of automatic data processing machines	10513	0	2031	0	0	13	0	9	0	0
620343	Men's or boys' trousers, shorts of synthetic fibres	515	0	1067	0	0	10	0	14	0	0
620520	Men's or boys' shirts of cotton	0	0	183	18		0	0	3	1	0
491110	Trade advertising material, commercial catalogues	0	0	86	0	0	0	0	20	0	0
620640	Women's or girls' blouses, shirts of man-made fibres	0	0	0	509	0	0	0	0	13	0
610342	Men's or boys' trousers, shorts knitted or crocheted, of cotton	0	0	0	456	0	0	0	0	26	0
610343	Men's or boys' trousers,shorts knitted or crocheted, of synthetic fibres	119	0	0	287	0	4	0	0	14	0
620920	Babies' garments & clothing accessories of cotton	0	0	0	53	0	0	0	0	2	0

D. NEW ZEALAND IMPORTS FROM ALL COUNTRIES (Top 35 Lao Exports to New Zealand)

HS Code	Description	Value (US dollars)					Quantity (Weight in kilograms)				
		2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
240120	Tobacco, partly,wholly stemmed,stripped	3,718,114	5,583,910	6,916,766	8,505,250	11,902,701	1,084,923	1,346,656	1,260,755	1,365,270	1,965,397
090111	Coffee, not roasted, not decaffeinated	21,552,607	25,514,711	29,812,710	32,529,040	45,926,034	7,882,780	7,991,055	9,682,594	9,287,969	9,137,562
610510	Men's or boys' shirts, knitted,crocheted, of cotton	12,953,743	12,737,642	9,574,177	11,129,395	13,128,320	680,287	667,819	477,028	407,286	479,690
610990	T-shirts, singlets other than of cotton	19,727,738	21,890,897	24,277,254	27,729,280	32,947,914	1,799,369	1,777,391	1,748,890	753,371	1,948,155
220300	Beer made from malt	32,446,259	35,727,874	34,588,587	38,968,548	46,556,315	41,439,739	41,983,695	39,641,495	1,517,043	47,571,024
610910	T-shirts, singlets knitted or crocheted, of cotton	60,219,057	60,174,215	55,387,692	63,205,941	70,931,375	4,521,263	4,292,854	4,056,406	2,611,003	4,384,617
620342	Men's or boys' trousers, shorts of cotton	36,875,576	35,530,255	32,345,534	37,691,023	43,247,272	3,100,336	2,864,997	2,475,146	1,665,993	2,658,308
620333	Men's or boys' jackets of synthetic fibres	3,935,585	4,170,752	3,290,942	4,093,742	7,331,502	243,878	275,752	211,991	117,019	347,809
620462	Women's or girls', trousers,shorts of cotton	50,954,864	49,792,065	41,702,398	45,831,627	49,375,890	2,611,195	2,502,819	2,059,453	1,681,036	2,012,432
621410	Shawls, scarves, mufflers of silk or silk waste	526,227	730,327	726,089	825,004	893,003	2,575	2,610	3,086	6,211	2,179
340290	Organic surface-active agents, surface-active preparations	4,683,155	5,358,741	6,634,122	7,800,909	6,960,905	1,958,198	2,179,223	3,704,455	3,890,083	4,203,804
521011	Woven fabrics of cotton of man-made fibres, unbleached	900	13,648	21,623	1,176	138	364	2,073	4,452	211	8
520911	Woven fabrics of cotton ,unbleached, plain weave	59,508	47,042	42,041	73,146	116,493	9,162	7,746	7,190	16,681	12,441
620453	Women's or girls' skirts & divided skirts of synthetic fibres	8,117,433	7,761,232	6,178,632	6,195,513	7,512,338	370,575	310,599	267,422	160,489	266,532
870891	Radiators & parts thereof for the motor vehicles	6,545,347	6,046,664	5,613,813	6,357,361	7,059,255	437,073	413,198	373,624	420,785	443,889
851690	Parts of the machinery & appliances of 85.16	10,309,153	9,102,672	4,726,464	5,142,693	6,485,120	1,140,112	1,042,434	363,454	336,689	609,941
850440	Static converters	53,967,622	63,839,629	51,955,446	58,685,180	66,002,290	1,958,072	2,560,048	1,850,425	1,177,382	1,884,347
610120	Men's or boys' overcoats, car-coats, knitted/crocheted of cotton	1,183,179	1,541,024	1,605,526	1,156,287	1,258,112	148,310	190,215	152,369	54,768	125,785
845090	Parts of the h-hold./laundry-type washing machines	4,522,379	1,678,955	1,488,721	1,643,533	1,395,324	442,108	129,137	90,798	133,609	97,972
640699	Removable insoles, heel cushions	3,013,596	2,888,229	2,896,170	2,757,404	3,445,424	183,363	123,417	118,198	149,000	141,280
841899	Parts of the refrigerating/freezing equipments	18,235,349	18,942,014	17,849,968	19,425,962	20,686,348	1,866,847	1,999,866	2,153,493	1,454,304	1,818,480
340220	Surface-active or washing preparations not containing soap	47,903,168	60,246,007	53,966,579	58,730,370	71,987,324	41,318,751	48,033,945	37,884,682	32,904,601	40,572,795
621490	Shawls, scarves of textile materials other than silk or artificial fibres	560,410	896,860	1,188,827	1,215,501	1,589,458	21,781	34,245	45,496	38,753	58,500
847180	Other units of automatic data processing machines	34,573,374	38,958,916	28,722,274	37,664,551	39,198,170	314,340	362,362	221,277	168,815	333,723
620343	Men's or boys' trousers, shorts of synthetic fibres	20,900,021	21,354,664	16,835,353	19,100,430	25,030,371	1,589,255	1,581,337	1,193,398	718,699	1,441,455
620520	Men's or boys' shirts of cotton	20,342,845	20,450,688	19,108,543	21,844,966	28,476,456	1,083,980	1,052,652	1,010,989	633,962	1,232,715
491110	Trade advertising material, commercial catalogues	14,146,032	13,089,376	10,255,569	11,624,402	12,652,089	2,618,165	2,317,178	1,809,307	1,803,250	2,235,785
620640	Women's or girls' blouses, shirts of man-made fibres	8,354,220	7,952,379	7,198,994	8,654,821	13,709,891	306,112	249,677	248,998	220,901	358,018
610342	Men's or boys' trousers, shorts knitted or crocheted, of cotton	1,884,991	2,184,454	1,941,042	1,927,647	2,170,746	129,092	141,913	127,887	111,351	125,851
610343	Men's or boys' trousers,shorts knitted or crocheted, of synthetic fibres	4,274,763	4,864,633	5,462,870	6,192,245	6,963,567	378,214	396,774	363,758	310,569	437,172
620920	Babies' garments & clothing accessories of cotton	7,607,367	5,853,738	6,039,024	8,527,491	8,588,584	284,141	213,974	236,080	301,053	248,743

¹ The ranking is based on mirror trade data from the United Nations COMTRADE database. However, other sources indicate a different ranking. Surprisingly, one study, Australia ranks as the 4th most important export destination of the Lao PDR. See S. Hamanaka and A. Tafgar, “Usable Data for Economic Policymaking and Research? The Case of Lao PDR’s Trade Statistics”. Asia-Pacific Research and Training Network on Trade (ARTNeT), December 2010. The data should therefore be interpreted with some degree of skepticism.

² The AANZFTA entered into force on 1 January 2010 for eight of the twelve countries that signed the Agreement: Australia, New Zealand, Brunei, Burma (Myanmar), Malaysia, the Philippines, Singapore and Vietnam. The Agreement entered into force on 12 March 2010 for Thailand, on 1 January 2011 for Laos, on 4 January 2011 for Cambodia and on 10 January 2012 for Indonesia.

³ The Lao tariff reduction schedule is available at http://www.dfat.gov.au/fta/aanzfta/annexes/annex1_tc.html.

⁴ The *trade compatibility index* measures the similarity between Lao’s exported products and products imported by Australia. The index approaches zero when Lao exports none of what the Australian imports, and it approaches unity when the exports share of product *i* of Lao is identical to the import share of that product by the Australia. The index of compatibility is usually between 0.50 and 0.60 for trade between industrialized countries, and it averages about 0.20 for trade between developing countries.

⁵ The methodology was developed by the United Nations Economic Commission for Latin America (ECLAC) and applied to its Competitiveness Analysis of Nations (TradeCAN) software. Available: http://extop-workflow.worldbank.org/extop/ecommerce/catalog/product?context=drilldown&item_id=893378

⁶ Copper is excluded since Australia is already a major producer of copper ores and concentrates and refined copper.

⁷ The analysis is based on an Auto-Regressive Integrated Moving Average (ARIMA) model, using EVIEWS software to estimate the equations for each product.

⁸ Volume data for imports of Australia’s imports for the products were found to be unreliable at the HS 6-digit level needed to estimate structural equations.

⁹ Lao’s small and medium-size exports are defined as those products whose average annual value of exports in the last five years (2007-2011) averaged between US\$1 million and US\$ 10 million. These product groups are defined at the 2-digit HS level.

¹⁰ Data from World Bank, “World Trade Indicators”. Available: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0,,contentMDK:22421950~pagePK:148956~piPK:216618~theSitePK:239071,00.html>.

¹¹ Data from International Finance Corporation, “Doing Business”. Available: www.doingbusiness.org.

¹² For all other countries, Certificates of Origin are issued by the Lao National Chamber of Commerce.

¹³ Available at <http://aanzfta.asean.org/index.php?page=schedules-of-tariff-commitments>.

¹⁴ Annex 2 of the Agreement is available at: <http://aanzfta.asean.org/index.php?page=product-specific-rules>

¹⁵ This example draws from New Zealand Ministry of Foreign Affairs and Trade, “ASEAN-Australia-New Zealand Free Trade Area (AANZFTA): information about the rules of origin – Imports”. Custom Fact Sheet: Important Information. Circular No. 42. Available: <http://www.asean.fta.govt.nz/guides-and-factsheets/>.

¹⁶ A recent analysis of the situation for Lao businesses is available from GIZ, “Enterprise Survey 2011”. Vientiane, November 2012.